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ABSTRACT

This resource,, a publication of the Trade and Development Program, was designed by a coalition of 10 farm and church groups to help U.S. citizens discover the connections between their lives, world food trade, and the needs of developing nations; it can be used for a single program, a multi-session workshop, or a study series. Targeted for high school and college students and also for adult discussion groups, the subject matter provides background for secondary social studies courses and college courses in economics, international development, and government policy. The unit includes a study booklet, a program guide, and supplementary materials. The study booklet contains 6 sections: (1) introducing trade linkages; (2) talking about trade policies; (3) developing nations' agricultural and economic development; (4) U.S. agriculture and trade; (5) making hard choices; and (6) becoming involved. A list of suggested resources and a glossary are included. The program guide is designed to assist class leaders or discussion groups focus on agricultural trade, development, and U.S. agriculture. Program activities presented are intended to correspond to each section of the study booklet. The supplementary materials consist of profiles of eight developing countries and briefs on three agricultural commodities. (DB)

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Exploring the Linkages

Trade Policies, Third World Development, & U.S. Agriculture

So 020 898

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PREFACE

The Trade and Development Program is an educational venture linking trade policies, Third World development, and U.S. agriculture. The ten farm and faith groups sponsoring the program believe that trade relationships and policies are important in trying to overcome world hunger and improve the U.S. food system. The program is funded by a grant from the W. K. Kellogg Foundation.

The goal of the Program is to help U.S. citizens explore the linkages between their lives, world food trade, and Third World development needs.

The Program will not attempt to reach consensus nor to advocate specific trade or agricultural policies. However, the sponsors share these perspectives:

- Agricultural and trade policies should be more sensitive to the interests of farmers, farm workers, consumers, and poor people throughout the world.
- Broad participation in community, national, and international decision making is crucial.
- Individual and community stewardship, supported by sound public policies, is critical in the care and preservation of the global resource base.
- Maintaining U.S. family farmers and vital rural communities is important to the fabric of the nation; farming families and rural communities are important resources around the world.
- Moderate sized farms, development projects, or trading enterprises are generally preferable to large scale undertakings.

Sponsoring Agencies:

Bread for the World Institute
on Hunger & Development
Center for Rural Affairs
Evangelical Lutheran Church in America
Friends Committee on National Legislation
Educational Fund
National Catholic Rural Life Conference
National Farmers Organization
National Farmers Union
National Grange
Presbyterian Church (USA)
U.S. Catholic Conference

Consultants:

The National Center for Food and Agricultural Policy,
Resources for the Future
Breakthrough on Hunger PBS-TV Series

1. Introducing Trade Linkages

Before you finish eating breakfast this morning, you've depended on more than half the world. This is the way our universe is structured. . . we aren't going to have peace on earth until we recognize this basic fact of the interrelated structure of all reality.

- Martin Luther King

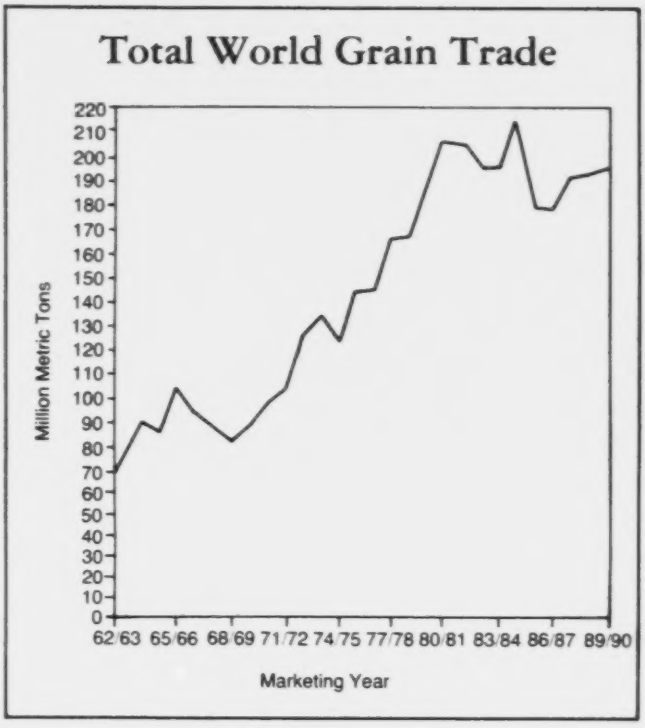
From the breakfast table to the negotiating table, people and nations are increasingly tied to each other. In this educational venture the linkages of three key subjects will be explored: agricultural trade, Third World development, and U.S. agriculture.

At one level, individual actors make choices. Farmers decide what crops to plant. Consumers decide what food to buy. Even at this level, choices are influenced by government policies. For example, an African cotton farmer whose crop is heavily taxed may choose not to expand production. Or, poor Indian consumers may purchase subsidized wheat to eat, rather than a more varied diet. In each case, different policies might lead people to different choices.

At the government level, policies include the body of relevant laws and regulations, plus the prevailing philosophy by which they are carried out. Policy choices or decisions are made from the local school board or zoning commission to the international negotiating table. Policy decisions are based on expected results, though the outcome sometimes differs from expectations.

The Trade and Development Program wishes to foster informed citizen participation in setting policy concerning world food trade, Third World agricultural and economic development, and U.S. agriculture and trade. Varying proposals about these topics need careful consideration by you and your study group. It is important to weigh the likely outcomes, as well as the costs, of any policy choice.

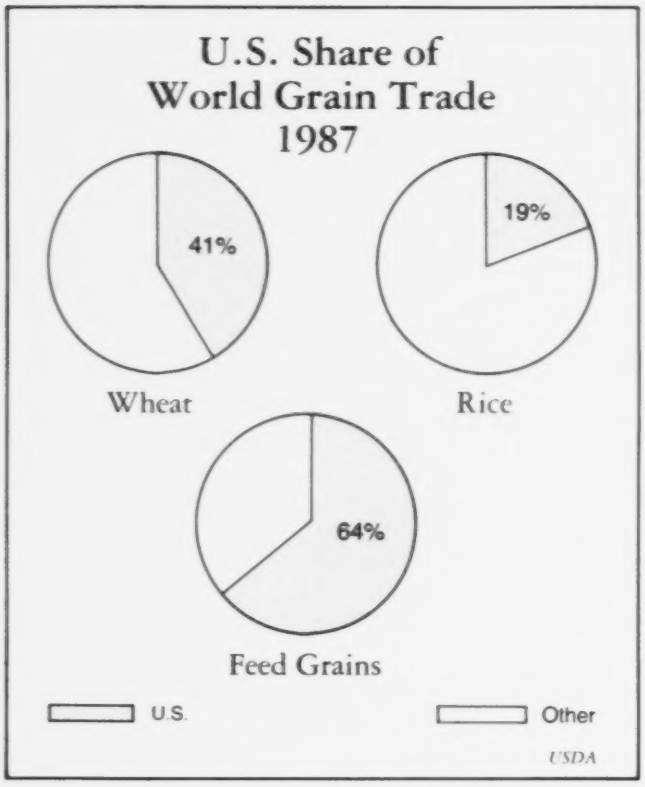
The costs and benefits can be measured in various ways: personal, social, environmental, economic, or global. A farm policy may result in higher costs to the consumer for a bag of groceries but lower costs to the environment. A policy that provides credit to farmers to purchase tractors that increase productivity may result in fewer jobs for farm laborers. The challenge is to find an optimal balance in terms of outcomes, considering especially the impact on poor people, poor nations, and U.S. farmers.



Agricultural Trade

World agricultural trade has grown rapidly in recent decades, tripling between 1950 and 1970 and doubling again between 1970 and the late 1980s. Agricultural trade, especially in foodstuffs, involves innumerable decisions by producers, consumers, and traders, plus government policies. Further, sometimes a decision by one player has unforeseen results for others. For example, Thailand is the world's leading rice exporter. Many of its 3.5 million rice farmers lost income when the U.S. government, after 1985, adopted a policy of selling rice at a low price on the world market. Unlike the Thai farmers, U.S. rice growers receive payments (subsidies) that protect their income. On the uneven playing field of food trade, there are often such winners and losers.

Winning and losing in agricultural trade affects not only individual producers but also whole nations since agricultural products are the primary item that some developing nations have to sell. For example, since Ghana's economy depends heavily on income from cocoa, falling world cocoa prices resulted in set-backs for Ghanian economic reforms. Again, the island of Negros Occidental once produced over half the Philippine sugar crop. In 1980 a pound of sugar was worth 29 cents; in 1985 it sold for less than 3 cents. Falling prices, the protectionist policies of industrialized countries, and the competition of other sweeteners destroyed Negros Occidental. Today people are malnourished and unemployed.



Choices about which crops to produce affect national economies and individual lives. For example, different crops compete for the same resources: coffee, cocoa, sugar, or bananas may be grown for export instead of food for local folks. If more land in a low-income nation is devoted to pineapples, what will happen to the farmers who grew food for local markets? Will the farmers have any part in the decision? Will the money earned from export crops pay for imports needed by farmers? Or food for urban poor people? Or luxuries for a few wealthy people?

Decisions about land use, food supply, and trade rightly belong to individual countries and their people. But decisions **about** U.S. farm and trade policies need to be informed by the ethical judgments of citizens who believe poverty and hunger anywhere in the world are unacceptable. You are such citizens.

Third World Development

The agricultural and economic development of Third World nations, or the South, cannot be ignored in any analysis of the world agricultural policy game. There are nearly 100 developing nations with a total of 3.8 billion people – three-fourths of the world population. The development debate centers on who decides what to develop for whom. Many programs from enormous dams to small cooperative credit unions vie for the label "development." Are they all good? All worthwhile? Obviously not. But how to choose among them?

For this discussion, we define the GOAL of development as the opportunity for all people to attain the basic necessities of life: food, shelter, health care, education, work with dignity, and spiritual development. In each context, the PROCESS of development will vary with the local culture, but it should include broad participation in community, national, and international decision making.

In many poor nations of Africa, Asia, and Latin America farming is the main job for most workers; most are poor. Lack of credit, high taxes on agriculture, low prices, and the unavailability of land, water, or appropriate technology may keep food production low. In much of Africa, the population is growing more rapidly than is food production. Sometimes, when food commodities are exported, the resulting income does not return to rural or urban poor people.

Many countries of the South that have based their economic development on agriculture have enjoyed generally rising employment, income, and nutritional levels. However, where this has been the case, most agricultural producers, not just a minority, share in improved productivity. In Indonesia, for example, agricultural development has provided a base for general economic

growth which includes trade – agricultural exports have increased five-fold in the past two decades. Better nutrition, longer life expectancy, and fewer infant deaths demonstrate wide-spread improvements in the lives of ordinary Indonesians.

An important part of development – one of the primary needs of all people – is food security: assured access for every person, usually by production or purchase, to enough nutritious food to sustain productive human life. For various reasons, many people in nations such as Sudan and Haiti do not grow or cannot afford to buy enough food, nor can their governments supply it. Hunger stalks the villages. Other countries lack transportation to distribute food or adequate storage places to keep food between harvests. Hunger may walk the streets while commodities rot in the ports.

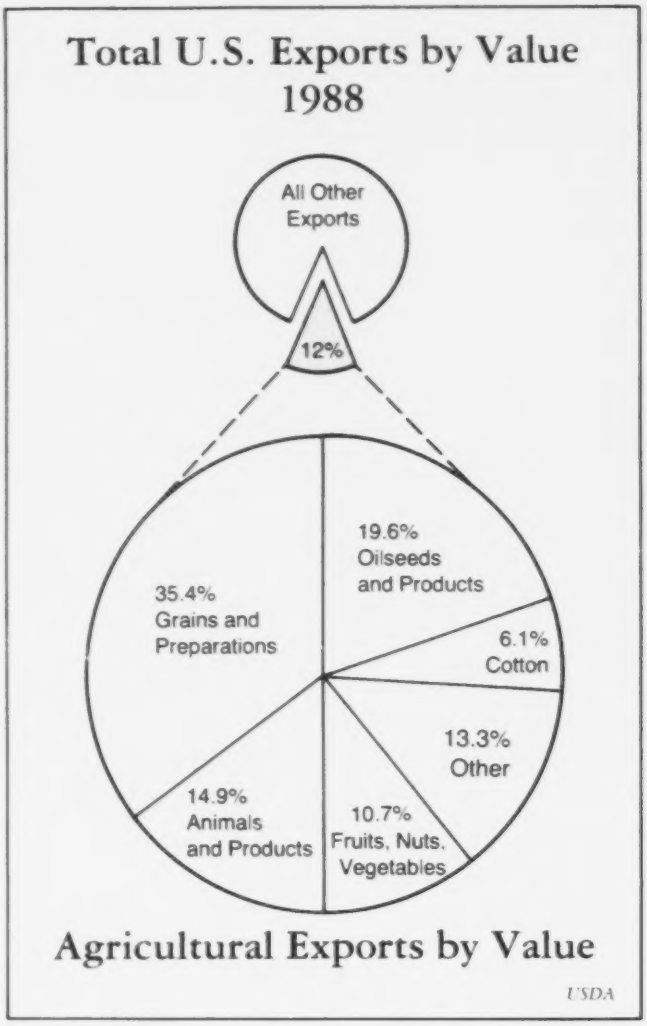
Even in developing countries where farmers raise enough food to go around, starvation or malnutrition may occur. People living in poverty must depend upon the creation of jobs, reduced-price food, or free food distribution, actions which governments cannot always afford or may not choose. Many people stay hungry; some die prematurely due to inadequate diets.

People and policy makers in Third World countries face difficult development choices. With limited resources and large external debts, developing countries must choose how much to invest in agriculture, and where best to make or encourage such investments. As part of their development strategy, each nation must weigh the risks and benefits of trade, especially the risks and benefits of food trade.

U.S. Agriculture & Trade

U.S. agriculture has an enormous impact on world trade. Unusually rich natural resources and high productivity enable U.S. farmers to supply ample food for domestic use with large quantities available for export. The U.S. produces nearly 450 agricultural products, many with current or potential markets around the globe. In 1988 farm exports represented one out of every three acres harvested -- 12% of total U.S. exports. Trade issues, usually focused on increasing agricultural exports, have permeated farm policy discussions in recent years.

U.S. farm policy choices affect not only farmers, but also consumers and trading partners, and particularly the



seventeen percent of all U.S. workers who depend on agriculture, workers who supply the needs of farmers or process and trade farm products. Indeed, rural communities in many counties rely on agriculture for their very survival.

Much of U.S. farm productivity results from earlier choices, starting with land settlement policies in the colonial period that helped shape the family farm system. For more than a century public resources have supported the land grant universities, whose research programs have contributed to higher yields and lower costs. Commodity programs have attempted to maintain farm incomes by reducing the rises and falls in price and supply. Over the years, trade in agricultural products has benefited both U.S. farmers and consumers around the globe.

Some groups ask whether a trade-oriented farm policy is the best way to use U.S. tax dollars and to support farmers, or whether the policies are out of balance. People concerned about protecting and restoring soil and water often feel that trade is being pushed at the expense of the environment. If forced to choose, they would give priority to sustainable farming practices over expanding trade.

Others taking part in the farm debate argue that trade should not occur at the expense of selected social goals. For example, some advocacy groups insist that trade-promoting policies should not threaten our traditional system of family owned and operated farms and viable rural communities.

Complicating Factors

Surely there must be a simple solution to these problems! The U.S. has plenty of food. Some nations have too little food or inadequate distribution systems. Why not just get the food out to people? Unfortunately, it's not so simple. Governments face complex problems. Decisions by one nation can affect many people and nations in unforeseen ways.

Furthermore, between 1950 and 1987 the global population doubled from 2.5 to 5 billion people; by the year 2000 yet another billion people will share this planet. The preservation and efficient use of the global resource base is critical to ensure food production and agricultural development.

Other complications: trade deficits in many nations create pressures for exports, including agricultural commodities. Budget deficits lead to cuts in programs for the poor or for farmers. Budget pressures push governments toward "privatization" -- spinning off services once provided by government to private businesses. Debt is another complicating factor, especially the external debt owed by many Third World countries (see Section 3). Closely tied to the debt are the questions of lending policies and economic adjustment measures, monetary and fiscal policies. Other complicating factors are: grain stocks, food reserves, food aid, development assistance, environmental issues, militarism, and military expenditures. But in this study the focus is agricultural trade and development. These other topics can be treated only briefly in supplementary materials or not at all. Food -- especially grain, the staff of life and staple of agricultural trade -- is the focus here.

Who Are The Actors?

Several important actors, or groups of people, play significant roles in agricultural trade and development. Of course many individuals wear more than one hat. The farmer is also a consumer and taxpayer. The consumer may also be a food processor or a banker. These actors are affected differently by policy decisions. In varying degrees, they participate in influencing policies. The players without a role today are the future generations who will inherit the results of current choices.

The **producers** comprise farmers and farm laborers -- including large numbers of women -- in industrialized and developing countries. Their first concern is adequate income and return on their labor and risk involved in food production. They also want to feel secure on the land they farm, whether by ownership, leasehold, co-operative holding, or other arrangements.

Photo: The World Bank

Consumers, in turn, generally want a reliable supply of low priced food, notably staples. **Poor people** in particular spend a disproportionate share of their income for food. Many consumers worry about the safety of their food – whether they fear adulterated cooking oil in India or pesticide residues in U.S. produce.

Almost everyone is a taxpayer, and **taxpayers** around the world worry about the effects of taxes on their pocketbooks. In the U.S. most people are all too familiar with income, sales, and other taxes. In developing nations taxes are often placed on exports or imports. In some instances agricultural exports are directly taxed as an easily accessible source of government income.

Businesses tied to agriculture or trade may also have conflicting perspectives. The small businesses in rural communities want a maximum number of farmers with income to spend. Large agribusinesses or trading companies are interested in large volumes of farm products. Many of these companies operate internationally and have considerable economic and political power. National governments which own and operate trading companies or agribusinesses are similarly interested in handling large volumes. They have the advantage of governmental power to enforce their monopoly.

Then there are **nations**: India, the U.S., Brazil, Italy, Mozambique. Nations are interested in food security for their people. They want recognition and respect from other governments in international forums, and they usually try to formulate policies which will maintain a viable economy and please at least their influential citizens – not an enviable job considering the often conflicting desires of other actors!

Finally there is the global resource base, the environment, basic to all food production. "Mother Earth" may not have a voice, but she is increasingly recognized as critical to human survival by agencies as different as the World Bank, Greenpeace, the United Nations Environment Program, and the Soviet and U.S. governments. How will this growing awareness come to bear on food and trade policy?

Looking Ahead

Each of the next three sections of this study takes up one subject: trade policies (Section 2), agricultural and economic development in Third World nations (Section 3), and U.S. agriculture and trade (Section 4). Throughout the discussion linkages are made among the three subjects. Also, the actors described above reappear in each section.

The concluding discussion (Sections 5 and 6) emphasizes some of the choices facing concerned citizens. Also presented are opportunities for personal or group involvement in policy setting around these issues.

Questions for Guidance

In the course of this educational program, keep in mind a few critical questions:

- How do U.S. policies help or hinder people around the world in meeting their daily food needs?
- What is a healthy mix of self-reliant food production and dependence on food imports for developing nations? For the U.S.?
- How much should the U.S. protect its family farmers?
- How can the interests of poor people and poor nations be made a priority in trade policies and negotiations?

SUMMARY: The linkages of agricultural trade, U.S. agriculture, and Third World development are complex, influenced by multiple actors and government policies. National decisions about food security and economic development are often constrained by poverty, debt, policies, and trading relationships. U.S. farmers play a significant role by their abundant production of food, making the U.S. a major player in agricultural trade.

2. Talking About Trade Policies

From The Beginning

Trade has been part of daily life around the world since before recorded history. In trading, both parties feel they have gained – kids swap baseball cards and adults exchange haircuts for auto repairs in modern versions of barter. As people produced food surpluses or specialty items, they expanded trading relationships. For example, in tenth century Mediterranean trade Egyptian merchants sent flax to Tunisia and Sicily in exchange for hides, leather, and furs.

While all sorts of goods and services are valued and traded, the focus of this study is agricultural trade, especially in foodstuffs: food basic to the survival of people and societies; food that also has important emotional, ritual, and social roles to fulfill in most societies.

The trade relationships that bring coffee, tea, and bananas to the breakfast table are, in many ways, a legacy from the past. In the fifteenth century European explorers and traders sailed to the Orient and Americas for gold, spices, and other valuable products. By the eighteenth century Europe was a group of industrializing nation states, enjoying ever greater trade, wealth, and economic specialization.

European states competed with each other to build colonial empires on other continents. In Africa, Latin America, and Asia they introduced plantation crops, such as sugar, coffee, and tea, for export to European elites. European nations, joined in the nineteenth century first by the U.S. and later by Japan, dominated trade with the tropical or Third World countries. The gap between the rich, industrialized world and the Third World continued to widen.

Trade Since World War II

From the end of World War II into the 1970s, the U.S. was the dominant world power. It led in creating three international institutions vital to current trade and financial relations: (1) the International Monetary Fund

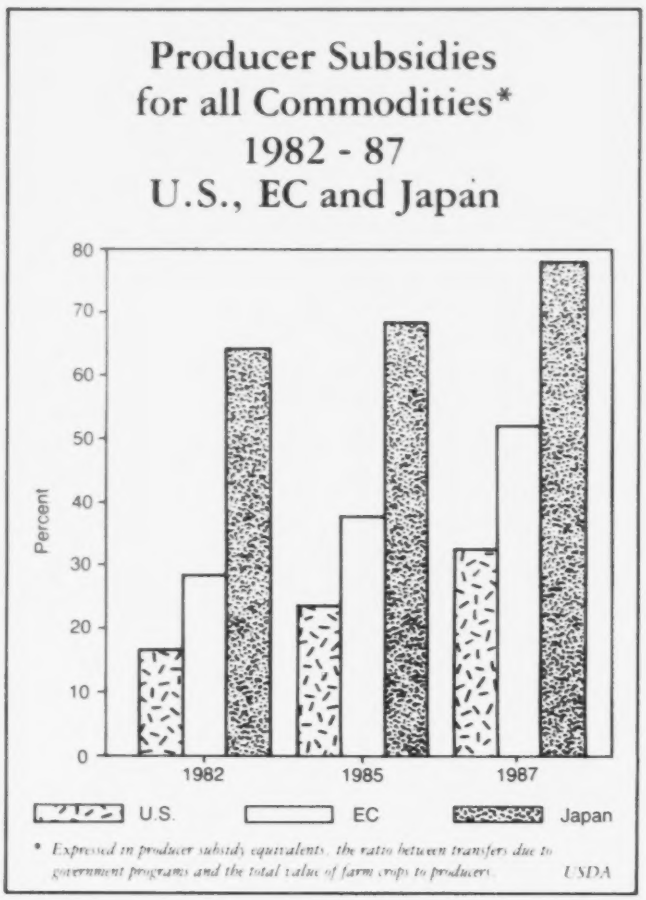
Photo FAO

(IMF) to stabilize international currency transactions; (2) the World Bank, to provide loans to speed reconstruction of war-torn Europe and later to Third World countries; and (3) the General Agreement on Tariffs and Trade (GATT) -- a forum for nations to discuss reduction of trade barriers and to settle trade disagreements among members. The GATT meets periodically for a multi-year session called a "round" of talks. The GATT is a place for discussion, rule-making, and dispute settlement, not for actual trading or exchanging goods.

By the 1980s Japan and Europe had re-established their wealth and power in international trade; the U.S. no longer ruled the roost. The U.S. and European Community (EC) have come to compete vigorously in the world market to sell their excess food production. While the U.S., EC, and Japan all have increased payments to their farmers, the EC and Japan underwrite agricultural production at higher subsidy levels than the U.S.

Other players in the agricultural trade game cannot afford to, or choose not to, pay the high cost of support-

ing their own farmers. New Zealand, Argentina and Thailand, as well as many poorer nations, sell their export crops for the going price and let their farmers take the profit or loss. Some governments tax exports, further cutting returns to their farmers, but often benefiting their consumers in the form of lower food prices. In the international trade game, however, lower prices for food exports and other raw materials leave developing nations with less foreign exchange to purchase needed imports.



Negotiating Trade Rules

International trade rules or agreements are negotiated in several settings. In the GATT, the major trade discussion forum, the most recent round of trade negotiations began in 1986. It is referred to as the "Uruguay Round" because of its initial meeting place. Although agriculture has traditionally been exempted from most GATT provisions, this time agricultural trading rules were prominent on the agenda. Under discussion have been not only trade barriers between countries, but also domestic farm or export promotion programs that affect world food production and trade.

GATT discussions are dominated by the North, the more powerful industrial nations, who have put forth sharply differing agricultural proposals, largely because of their dissimilar trade circumstances and varied approaches to supporting their own farmers. Many developing nations believe that their interests are not well served in the GATT.

Other forums for trade discussions include the United Nations Conference on Trade and Development (UNCTAD) and regional groups. Regional pacts are discussed in Sections 3 and 5, UNCTAD and GATT in Section 5.

The developing nations' share of world trade is increasing, as is their influence in the GATT. Overall, however, trade relationships and negotiations still reflect the inequalities of political and economic power in the world. For example, the poorest nations can ill afford to send a team of experts to the GATT negotiations, but other nations of the South have worked effectively in coalitions to achieve greater influence. Nevertheless, GATT decisions have consequences for all farmers' livelihood and for hungry people. How can these people be better represented at the world table?

Trade models

As a way of approaching real world trade policy options, we will examine models of situations that have never existed and are unlikely to occur, but models which can help us explore policy dimensions which might affect farmers and poor people of both North and South.

A. Free Trade Model

Economic theories about trade, here focused on agriculture, could be placed along a continuum. At one end would fall liberalized trading practices, often called a free market system. In this system governments would get out of influencing agricultural production and marketing and let the supply and demand for food come into balance through the market. All tariffs, restrictions, and barriers would be removed. Governments would take no action to influence the price of commodities, the use of land or other related resources. Governments would not direct the movement of goods or capital internationally. Farmer subsidies related to crop production would stop. Like other citizens, farmers could benefit from general social programs.

What are the main arguments for and against free trade?

Proponents Say:

- land, labor, and capital would be used efficiently, freeing resources for better use elsewhere;
- *taxpayers* would save money by eliminating payments to farmers which encourage overproduction and by eliminating export subsidies;
- *farmers* would have wide latitude to make decisions in response to the market, not government program incentives;
- *environmental protection* would increase as farmers would preserve and enhance resources in their care;
- *producers* of some crops in developing countries would receive higher prices for their products and be better off;
- *consumers* would benefit from lower average food costs, and stable prices would follow the elimination of changing government policies.

Opponents Say:

- *farms* would be larger, with fewer commercial operations; this trend would further weaken *U.S. rural communities;*
- *U.S. farmers* would receive lower prices for their crops;
- powerful players, such as *grain trading companies*, would gain near monopoly and prevent markets from operating freely;
- to compete in a free market, U.S. farmers would farm more intensively, thus increasing *environmental* harm in U.S.;
- *producers* of some crops in developing countries would receive lower prices and be worse off;
- prices would fluctuate unpredictably for trade dependent *nations*.

B: Managed Trade Model

At the other end of the continuum would be a model of managed trade. Governments would make all the major decisions about agriculture and other parts of the economy. Production decisions, export and import matters, and other facets of agriculture would be a matter of public policy. A government could, if it chose, link environmental or other social goals to farm policy. The fact of a government making decisions about agriculture does not imply any particular form of government.

National management of agriculture might or might not extend to the international arena where governments would manage agricultural trade by negotiated compacts. World wide stability in food trade would be achieved through governmental agreements on agricultural supply and demand.

What are the pros and cons of having governments manage agricultural production and trade decisions?

Proponents Say:

- *taxpayers* would save money from reduced farm subsidies;
- agriculture, given government protection, would provide *food security* and overcome unpredictable factors like weather;
- international agreements could help *First and Third World farmers* raise commodity prices and increase incomes;
- greater *environmental protection* could be possible by linking farm income to sustainable farming practices;
- government could also serve the social goal of rebuilding *rural communities*;
- *all farmers* would experience less risk and enjoy greater stability with government long-range planning;
- greater citizen participation in public policy decisions would be possible.

Opponents Say:

- *consumers*, including the poor, would pay more for food;
- the economy would waste land, labor, and capital by supporting their inefficient use;
- nations would find international agreements difficult to achieve or enforce;
- government would be a poor steward of the *environment*, insensitive to local needs;
- jobs for *people in rural communities* would be fewer;
- national and world incomes would be lower with limits on production;
- government is another form of monopoly – its decisions could reflect the political power of particular groups at the expense of others.

C. Mixed Trade Models

Between the models of a free market trading system and a managed system, one can imagine a series of mixed models, each combining in varying proportions some elements of free trade and managed trade.

In most mixed models, producers and traders would be free to respond to market signals, to a greater or lesser degree. Efforts would be made to reduce agricultural trade barriers. Governments would have a role in balancing the economy as a whole, absorbing some of the risks and human costs. Policies might support social goals such as food security, income distribution, family farming, or environmental protection. Basic services such as education and infrastructure would be responsibilities of governments.

Critics and supporters of mixed models make the following points:

Proponents Say:

- the market should perform the functions it does best, leaving government to handle social goals;
- *food security* is a unique priority for most nations and requires a government role;
- *taxpayer or consumer* savings could be redistributed to soften the impact of adjustments;
- *environmental protection* could be included in the balance;
- careful planning could include social goals such as *rural development;*
- special attention could be given to the trade needs of *developing countries.*

Opponents Say:

- either let the market or the government manage trade rather than confusing the two;
- government involvement obscures market signals and often sends *farmers* the wrong messages;
- such a system would become expensive to *taxpayers* and consumers over the long run;
- *environmental protection* or *rural communities* could receive low priority among social goals;
- the tendency of the system would be to become more complex and cumbersome;
- *developing or industrial countries* might avoid making necessary internal economic reforms.

SUMMARY: Agricultural trade policies exist in a wide range of choices and many possible combinations. Second, there is disagreement in predicting the results of any particular choice. Third, even supposing agreement on the results of a particular policy option, people hold widely differing views on the trade-offs affecting farmers, consumers, developing nations, poor people, the environment, and food security.

3.
Third World Agricultural & Economic Development

Developing Countries

Third World or developing countries make up most of Africa, Latin America, and Asia. Among these nations there is enormous variety in government, economic organization, natural resources, social structure, and traditional values. Likewise, trading patterns and relationships are highly diverse.

Most people in developing nations have low incomes. In general, agricultural yields are lower and industries fewer than in wealthy nations. Many people of the South fare poorly by measures of well-being -- life span, infant mortality, education, or adequate nutrition. Often a chasm separates the few with wealth from the many without.

In each nation a variety of actors -- farmers, consumers, taxpayers, and businesses -- make decisions that influence trade and development. In many developing countries a majority of people farm, but many are landless laborers. Of the farmers who own land, some are marginal farmers who produce for their family's needs and work at poorly paid jobs if possible, while other farmers produce crops for sale in the local area. In contrast, many export crops are produced on large-scale farms, generally with more fertilizers, technology, and access to credit.

Defining Development

In this discussion, we define the GOAL of development as the opportunity for all people to attain the basic necessities of life: food, shelter, health care, education, work with dignity, and spiritual development. In each context the PROCESS of development will vary with

Photo: FAO

the local culture, but it should include broad participation in community, national, and international decision making.

Nearly universal agreement exists that economic development requires a stable government, a somewhat predictable economy, and economic growth based on investment in people (education, training, health), in infrastructure (roads, bridges, electricity), and in productive jobs. However, additional criteria for optimal development recognize the human spirit and individual dignity. The benefits of development must reach poor people. Participation in decision making by the people affected is crucial. Building on their skills and knowledge, they can best determine which programs will be of appropriate scale and will distribute gains broadly. Large-scale programs dependent on outside expertise have frequently been less than successful. Finally, development should enhance, not degrade, the environment.

The riddle of development is, "How do we reach desired goals?" The difficult "how to do it" choices puzzle economists, non-governmental organizations, and governments. While we may never all agree, some useful questions to ask about development decisions are:

- Are decisions made from the top down or built from local bases?
- Who owns, controls, or profits from the use of the land and other resources?

- What are the sources of capital: public? Private? Foreign? In the form of: loans? Investments? Grants?
- What is produced for consumption at home? For export?
- What imports are necessary and how are they paid for?
- What are government policies for agriculture and food? Do large farmers benefit? Small farmers? Consumers? Poor people?
- Who gets to eat? Who is kept from the table?

Agricultural Development: To Trade Or Not To Trade?

In most poor nations, the efforts to improve people's well-being must start where the people and the resources are, in the rural areas where crops are grown. Increased agricultural productivity and income are often steps toward broader economic development. The developmental choices discussed here, however, emphasize agriculture in relation to trade: can trade contribute to development in ways that get more food to people?

One possible choice is to trade in the world economy. Thailand, following this route, exports rice and a variety of other agricultural and manufactured products. New ventures in growing hybrid seeds, papayas, and macadamia nuts for export take advantage of the tropical climate and available labor force. Participation in the global economy may produce substantial gains. New labor-intensive crops grown for export may create more jobs, and some food can be imported at lower cost than it can be produced locally, reducing food costs to consumers. On the other hand, farmers who formerly grew food for local markets may be displaced, or the money from exports may not be used for low-cost food imports. The first profits from trade usually go to the trading companies, public or private, and poor people gain only if the government adopts specific programs, such as job creation or access to credit, to assist them.

A second choice – by China and India – seeks development with minimal trade. While restricting trade in the 1970s and 1980s, both nations imported improved seed varieties, fertilizer, and modern technologies. Food production has increased significantly although problems of food distribution, processing, and storage remain. Poverty is still widespread.

Photo: WFP FAO

China and India are large nations with diverse and extensive agricultural resources to assist their development. Neither has run up a large external debt, and both have shielded their agriculture from major swings in world commodity prices. In the late 1980s both increased their participation in world trade, including purchases of U.S. grain. Smaller nations such as Burma have tried development with minimal trade, but without success.

A third approach – participatory or grass-roots development – has worked well in numerous villages and regions, but it has not yet been tested on a national scale or affected trade policies. Local people control their new ventures using minimal outside assistance. In Mozambique, for example, groups of women have organized cooperatives to grow vegetables since 1980. As vegetable sales have

increased in the nearby city, the "green zones" have expanded. Managed by the women themselves, the cooperatives have added livestock, wells, and a child care center to vegetable growing.

Regardless of approach, some nations have had almost no development. They seem to shrink rather than grow. Extreme poverty, a lack of natural resources (good soil, available water), a shortage of trained people, or poor decisions by those in power have made them economic waste lands. Other nations, despite similar problems, have improved the welfare of their populations significantly through wisely chosen national policies. In Kenya, for example, coffee growers received 85 percent of the world price. In contrast, coffee producers in neighboring Tanzania received as little as 24 percent of the world price from their government, yet were prohibited from cutting down coffee trees to plant a more profitable crop.

Photo FAO

Third World countries have made some efforts to promote trade with each other through regional trade blocs. The participating nations trade freely with each other, often using local currencies, and they may set up restrictions or trade barriers against outsiders; but regional cooperation in East and West Africa, the Caribbean, Southeast Asia, Central America, and the Andes has produced mixed results. Competition for outside trade or investment, or political conflict, often destroys regional cooperation. Nevertheless, South-South trade and cooperation could become an important alternative to, or building block toward, participation in the global economy.

Policy Choices and Agricultural Development

In agriculture the "Green Revolution" of the 1960s and 1970s, using improved seed varieties, irrigation, and fertilizer, led to substantial increases in grain production from India to Colombia. For example, rice farmers in Malaysia now plant two crops each year using fertilizers and labor-saving technology, and in Malaysia and other countries this has meant substantially more food and less hunger. While "Green Revolution" technology has aided Malaysia, in West Africa the technology has been unsuitable or misapplied. Nations that were once net exporters of food products at independence now import it. Research is needed for technologies which fit areas of low soil fertility and low rainfall. Research and development of new food crop technologies are long-range ventures not well served by short-term plans.

The distribution of gains from development is also uneven. Often well-positioned farmers can take better advantage of irrigation, credit, or improved seeds. New roads and bridges serve limited areas. The expansion of cattle range or pineapple plantations in tropical areas often displaces small farmers or tenants who may not share in the eventual profits, and such inequities are masked by figures showing economic growth for the nation as a whole. For example, while Brazil produces much more food than it did in 1950 -- thanks to its soybean and beef revolutions -- it also has much more hunger.

One way to avoid some of the negative outcomes of development is to assure participation in planning for development by the people most affected. This means that the critical decisions should not be made in Geneva or Washington, or even Mexico City or Dar es Salaam. Under the present system,

Photo: FAO

key actors are often excluded. The majority of farmers in sub-Saharan Africa are women. Frequently they do not get credit or receive cash income, or other benefits, from their labor. The women's vegetable cooperatives in Mozambique are examples of meaningful participation by the important players.

Positive outcomes also result from appropriate size. In the Western highlands of Guatemala an agricultural cooperative of small farmers is successfully producing and exporting fresh vegetables to the U.S. and Europe. On individual plots averaging less than two and half acres each, cooperative members grow maize and beans for themselves and snow peas and broccoli for export. Benefits for these farmers include increased income, better nutrition, higher subsistence crop yields, and community health programs.

Debt and Other Dilemmas

Whether or not developing nations participate actively in world trade, they are affected by inflation, recession, the rate of exchange for money, and foreign policy decisions. At present they are most affected by debt. Today many poor nations and their lenders are haunted by loans contracted in optimism during the 1970s. Some of the loans went to ill-conceived programs; some debtor nations made unwise taxing, spending, or monetary decisions; some debts piled up because interest rates spiraled upward in the 1980s. Whatever the reasons, the debts in Mexico, Brazil, and a host of other countries cannot now be repaid or serviced.

Total Debt for All Developing Countries*

* *Figures include public and private long-term debt, IMF credit, and short-term debt.*

The World Bank

Finance ministers in debtor countries together with their bankers in Switzerland, London, or Washington struggle over what steps to take to resolve the debts and put economies on a sound footing in the present economic environment. The lenders are reluctant to forgive old loans or make new ones until a nation's economy is stabilized. Meanwhile, the leaders of the debtor countries must choose between the health and education of their people and the financial obligations to lenders. Nothing is left for development.

Development decisions may sometimes have unfortunate environmental outcomes. For example, substantial international loans were made over the past two decades to develop beef production in Costa Rica and Honduras, primarily for export to the United States. Rain forests were cleared for pasture and cattle ranchers pocketed short-term profits. But in the long term, the former rain forest land will not support cattle grazing.

Development plans may not survive economic and political struggles or meddling by more powerful nations. Warfare and political instability have been a major deterrent to development in small countries, e.g. El Salvador, Cambodia, or Angola. Yet another threat to development is the production of drugs for export – a lucrative but illegal trade with tragic consequences for people everywhere.

SUMMARY: Development is a complex process which proceeds from internal decisions, resources, and capabilities, and external realities. Development may be influenced, for better or worse, by relationships with powerful trading partners or lenders, or may occur in a more self-reliant fashion. It may be a unique mixture, or may be a total bust. Perhaps most important is to ask: Who benefits? Who suffers? Who decides? Who covers the cost? How could the situation change?

4.
U.S. Agriculture & Trade

Background

In the sixteenth and seventeenth centuries European nations established colonies in North America to supply them with raw materials: tobacco, indigo, lumber, fish, grain, and hides. After independence agricultural commodities continued to be a major U.S. export; however, growing internal industry – spinning and weaving mills, flour and meat processing plants, leather and furniture makers – also consumed farm and forest products.

But even with industrial growth, three-fourths of the young nation's population farmed. Thomas Jefferson expressed widely held notions that family farmers played an essential role in the stability of the Republic. *This perception of the importance of family farmers for the well-being of society has continued to be a major influence in U.S. farm policy, as has the export of agricultural crops.*

In this century agricultural policy has continued to be important, even though farming was no longer the major U.S. occupation. Support for research leading to new technologies has been a hallmark of U.S. agricultural policy. In the depression years of the 1930s, programs to support farm income, provide credit, influence production, stabilize prices, and encourage conservation were adopted. Most of these programs – in one form or another – continue to be part of farm policy.

More recently, farms and farmers have declined in numbers as productivity increased dramatically. Using changing technologies and intensive capital investments, two percent of the labor force produces abundant food for domestic use and export. Often this "efficient" use of technology and resources is praised as a model that should be copied by other nations.

Why have farm policies?

U.S. farm policy seeks to support U.S. farmers and to provide a reasonably priced, reliable food supply for U.S. consumers. Provisions for trade are set in the context of domestic needs. For example, the Agricultural Trade Development and Assistance Act of 1954, better known as Food for Peace (P.L. 480), has fed malnourished people through subsidized food sales and credit abroad, and helped to secure long-term customers for U.S. farmers. The 1985 farm bill added export subsidies to regain customers lost in the early 1980s.

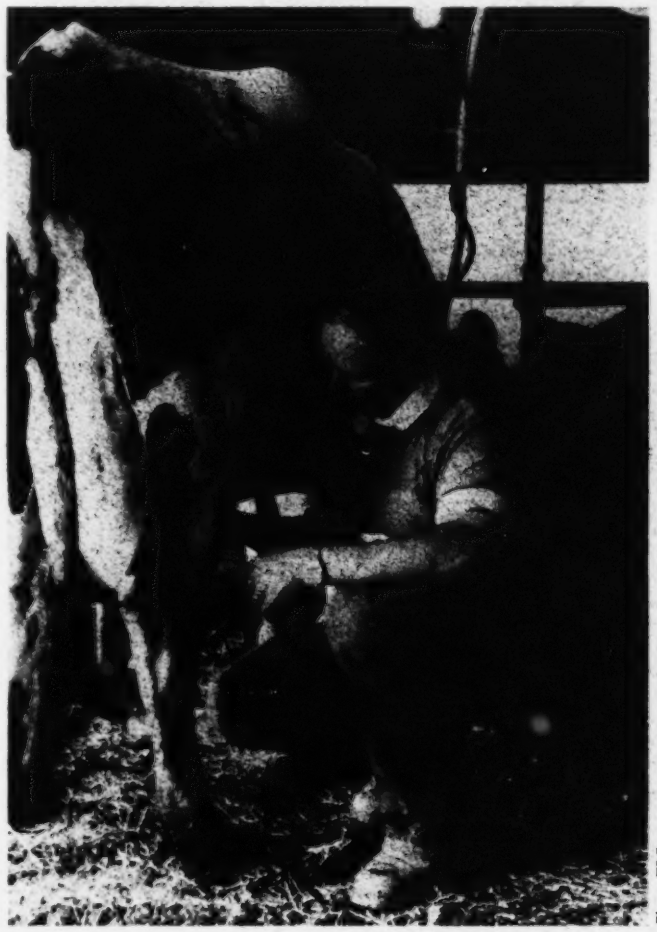


Photo: TDP

One domestic focus of U.S. farm policy since the 1930s has been income stability for farmers, accomplished in a variety of ways but principally linked to the production of dairy products, cotton, sugar, tobacco, peanuts, and grains – wheat, rice, corn, oats, and barley. Government has, at various times, sought to reduce production, OR to guarantee a particular price, OR to restrict imports, OR increase exports OR to combine several of these mechanisms. Several programs have made credit available to farmers at reduced rates. The largest of these

programs, the Farmers Home Administration, has historically targeted most of its loans to beginning and limited resource farmers.

Public support for the development and adoption of new technologies has been another facet of farm policy. New discoveries have usually reduced farm costs and increased incomes, at least for the first farmers to adopt a practice. Over time, however, the chief beneficiaries of new technologies have been consumers whose food costs have been reduced.

Lower food costs have also been an overt policy goal. Currently grain and cotton prices are deliberately held down, while farmers' incomes are supported through direct payments. In effect, tax dollars pay part of the food bill for most persons. In addition, supplemental food programs for poor citizens -- school lunches, food stamps, and nutrition programs for women with young children -- have been added to farm legislation.

Farm policy also addresses environmental goals. The 1985 farm bill requires that farmers participating in commodity programs develop a conservation plan for their farm. They must also refrain from plowing out sod or wetlands to create new cropland. Food safety, especially as affected by pesticide use or other farming practices, is increasingly a focus of the policy debate.

Finally, since agriculture is a gamble with nature, farm policy seeks to balance the fat and the lean years with grain reserves, just as in biblical days Joseph ordered the storage of surplus grain in Egypt to prepare for famine. Until now, the grain reserve has been planned, administered and paid for by the U.S. Reserves are sold at home or abroad, and have been especially important when supplies drop, as during the droughts of 1980, 1983, and 1988.

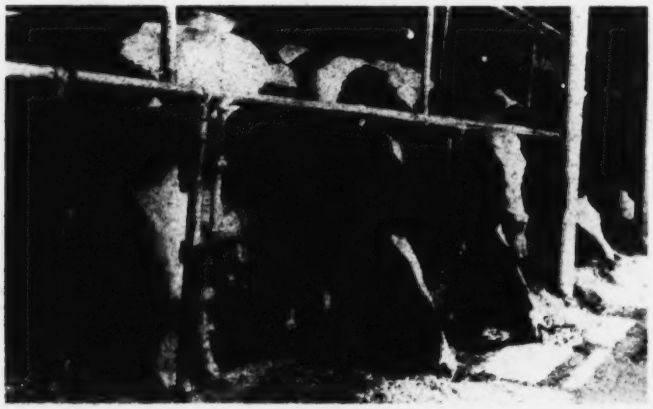
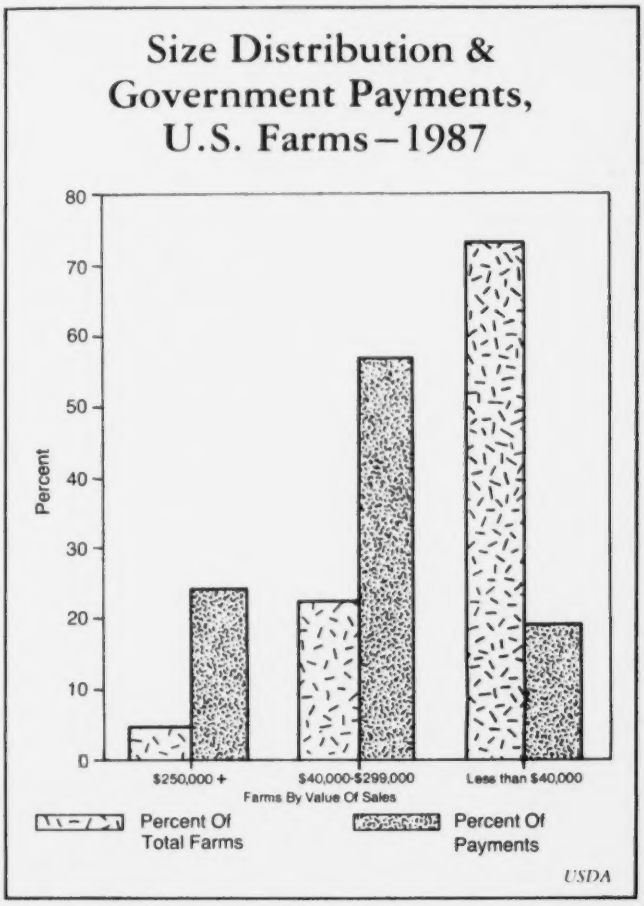


Photo: TDP

Since 1977, the U.S. grain reserve has been an effective buffer against production shortages. Proposals exist to make the reserve an international program – to spread the cost and responsibility and to prevent any one nation from controlling critical grain stocks or using them as a "weapon."

Federal government taxing and spending decisions, as well as monetary policies, often touch farmers with greater impact than strictly farm policies. For example, U.S. "tight money" policies, adopted to curb inflation, helped bring on the farm crisis and the Third World debt crisis of the 1980s. To avoid such upsets, both U.S. and Third World farmers need policies which promote a stable economic environment.



Policy decisions often create unintended results. Recent U.S. farm policy has encouraged the production of supported crops as compared to crops outside the government program. Growers of fruits, vegetables and nuts, for example, receive no direct payments. At least until recently, farm policy has motivated farmers to grow as much as possible on each acre, to use more and more chemicals which have, in turn, polluted the groundwater.

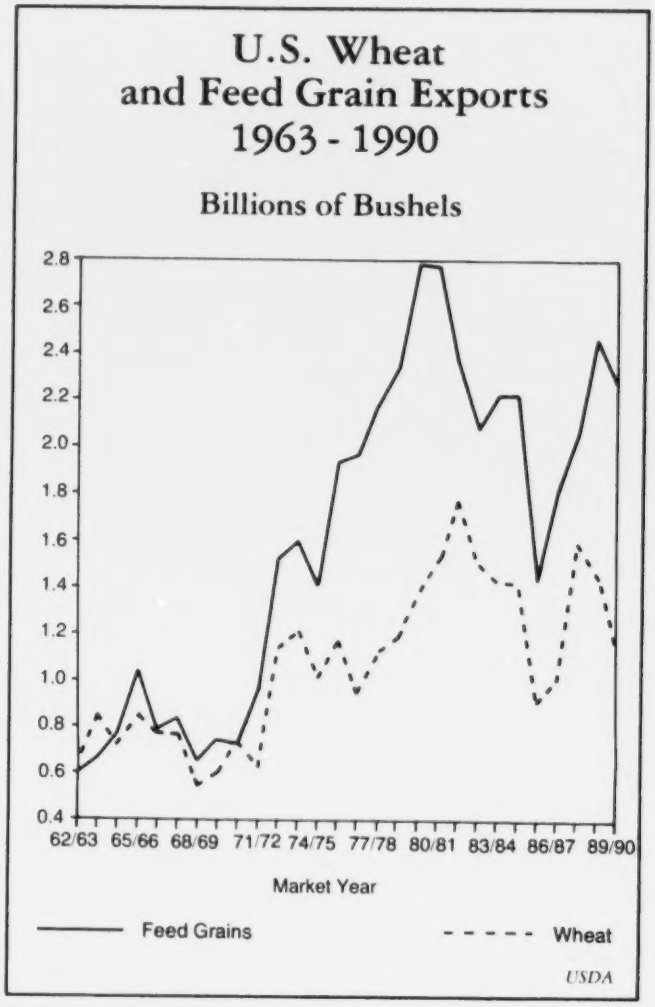
Farm programs plus prevailing "wisdom" have encouraged larger farms. Direct farm income payments, being tied to production, go disproportionately to larger producers. In 1987, for example, just 4.6% of all U.S. farms received 55.4% of all farm cash receipts and received 24.1% of farm payments. Yet both policy and technology have also encouraged smaller farms, allowing producers to combine farming with an off-farm job.

Exporting Agricultural Products

During this century U.S. grain exports peaked three times: World War I, World War II, and the late 1970s. Shortages elsewhere in the world caused by war, drought, or other disaster increased the need for U.S. grain. In addition, during the 1970s there were political and economic reasons -- such as spending on food by oil-rich nations and grain purchases by the U.S.S.R -- which drove up U.S. grain sales abroad.

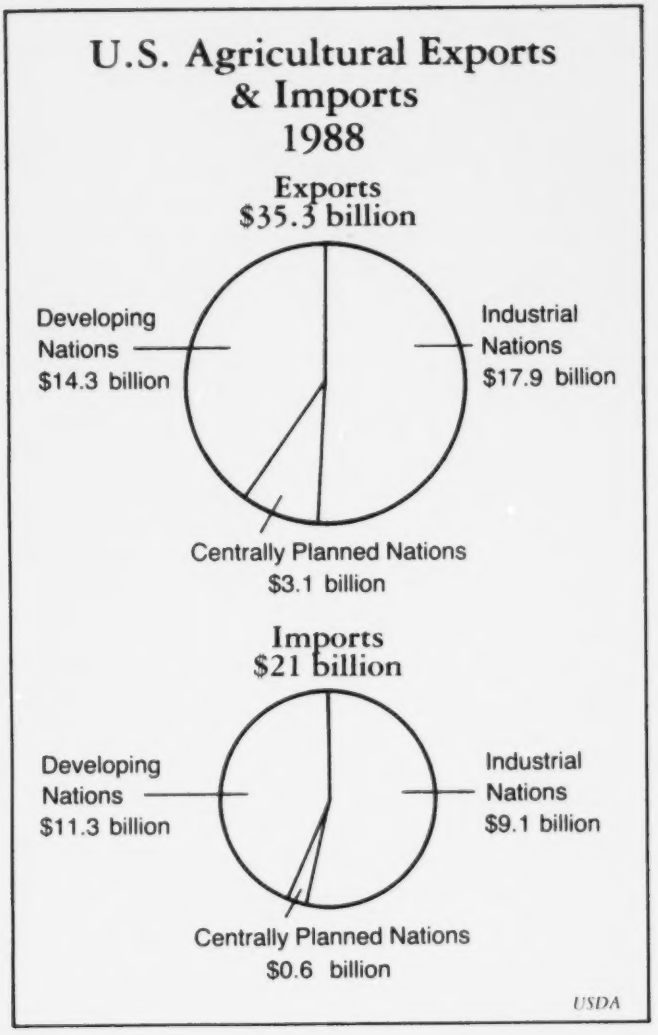
Current U.S. farm policy is based on the premise that increasing U.S. agricultural exports is necessary and desirable. The 1985 farm bill provides subsidies for exports so that the U.S. can undercut other nations selling the same products -- a sort of bargain basement-fire sale. These export subsidies were triggered by large U.S. grain stocks accumulated during the early 1980s and a parallel export subsidy program by the EC. The long-range goal is to attract and keep other nations as buyers. The underlying assumption is that eventually those who cannot compete successfully will turn to other activities.

Who benefits from subsidized exports? Chiefly food importing nations -- the U.S.S.R., Japan, Algeria, South Korea, and others -- plus the exporting companies



whose income is based on the volume of grain traded. Consumers benefit if low food prices are passed along to them. Businesses in rural communities profit from increased farm activity.

Who loses in this export subsidy competition? Losers include: taxpayers who foot the bill for the subsidies; producers in exporting nations that are unable or unwilling to make up the difference to their farmers -- Argentina, Thailand; Third World farmers who lose markets to others selling at lower world prices; the environment if fragile resources are destroyed.



Exports could also be increased by finding customers who can buy more food and feed. The most likely new customers are in Eastern European or Third World nations, if their incomes rise. The better off among Third World countries are the fastest growing market for U.S. agriculture today -- Taiwan, Thailand, Malaysia.

Trade With Third World Countries

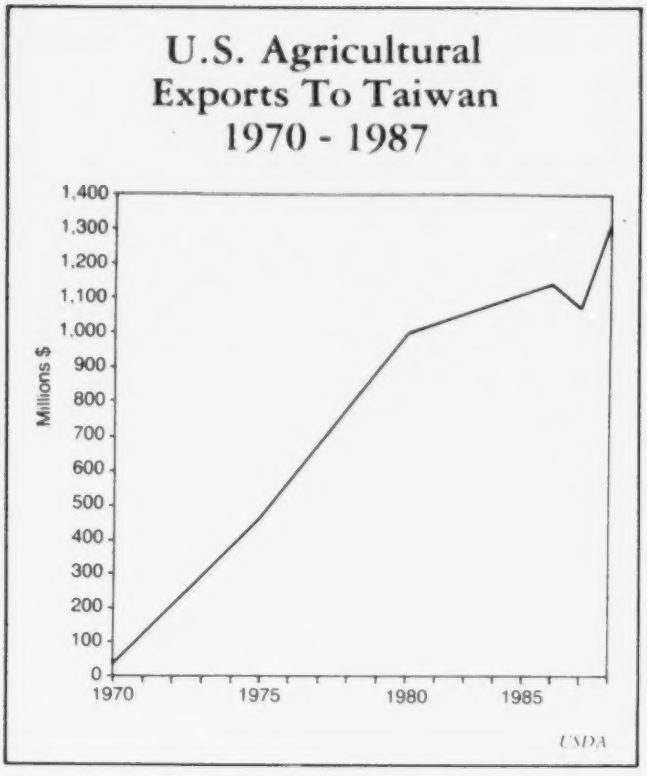
Three-fourths of the world's people live in developing countries; most are potential customers for U.S. farmers. As discussed in Section 3, economic development in low income nations can lead to more jobs and income for many citizens. With increased incomes, families in Taiwan and elsewhere spend more on a better diet, especially for protein-rich foods. More eggs, poultry, fish, meat, and dairy products require more feed grains, of which the U.S. is the largest exporter.

Many observers believe that in the 1990s and beyond, U.S. farmers will have a major stake in agricultural development in developing countries where farmers are often a majority of the work force. Development which brings broadly-distributed income increases will enable farmers to purchase more manufactured goods -- tools, carts, bicycles, household goods. People who make these items will be able to afford better diets and create an expanding market in which U.S. farmers might share.

However, agricultural development in some Third World nations results in exports that compete with U.S. products. Malaysia, for example, has rapidly increased its exports of palm oil which competes with U.S. produced soybean oil. Yet with the money from its increasing exports, Malaysia has bought more U.S. food, feed grains, and soybeans. Malaysia also exports rubber and tropical woods which do not compete with U.S. crops. One possible U.S. response to competing products from developing countries could be adjustment assistance to the U.S. farmers or regions most severely affected.

Not all Third World countries choose to depend on imports, as illustrated by India and China. However, China has apparently shifted its policy toward more trade and become a growing market for U.S. grain. Conversely, subsidized sales and P.L. 480 grants of wheat to Egypt have depressed the local market and undercut Egyptian farmers. Per capita food production in Egypt has declined since the early 1970s.

Some developing countries such as Mexico have increased production in other crops -- vegetables



and fruits -- while importing low-cost grain. The shifting terms of trade, however, may make it hard for such countries to earn enough foreign exchange to pay for the grain. Nigeria and other nations, unwilling to entrust their food security to outsiders, have chosen a path of self-sufficiency in basic foodstuffs -- rice, wheat or corn. Unfortunately, the huge debt burden of many poor countries prevents them from improving their people's diets through food imports or through their own agricultural development.

SUMMARY: Predictions about the future for U.S. agricultural exports must take into account the variety of choices made by developing nations. Increased sales are possible in a mutually beneficial partnership. Competition is also likely, at least for specific products or periods of time. General benefits may not be shared equally, among U.S. farmers or Third World farmers, consumers, or taxpayers.

5. Making Hard Choices

In this interconnected world, agricultural trade is one of the ties linking the U.S. to other industrialized and developing nations. Worldwide, nations do not see eye-to-eye on how everyone is to be fed. How are governments to negotiate trade rules which will benefit their citizens and not hurt those of other nations? How are these negotiations, with their great variety of players, to be used to help everyone eat well at the table of the global village? How can you, a U.S. citizen, make a difference?

Forums For Trade Negotiations

Many forums exist for trade negotiations about agriculture.

GATT: The U.S. and other industrialized nations consider the General Agreement on Tariffs and Trade (GATT) the principal trade negotiating forum. Developing nations are among the nearly one hundred GATT participants, but the scene has been dominated by the industrialized nations that are responsible for three-fourths of non-oil-related world trade. Since 1986, in this current round of negotiations, participants have for the first time seriously considered agricultural trade and domestic farm policies which affect trade.

The agricultural trade proposals before the GATT cover nearly the spectrum of trade policy options as described in Section 2. The U.S. started off with a proposal which would phase out all agricultural trade barriers over ten years, and restrict domestic farm programs affecting trade. Exceptions would be made for developing nations. The U.S. approach had qualified support from several other exporting nations, some from the Third World.

However, at the other end of the spectrum, Japan defended the right of nations to choose food self-sufficiency, at least in staples, even though this choice might cause higher consumer food costs. Nations should have maximum freedom to set their own domestic farm policies, Japan maintained. The EC likewise proposed substantial freedom in setting internal farm policies, with lesser regard for the trade consequences. For the short run the EC proposed production limits; in the long run they would negotiate reduced trade barriers and support to farmers.

Photo: The World Bank

Siding with Japan but speaking for many poor nations, Jamaica emphasized the needs of Third World countries to protect their developing agriculture. It has pointed to the inequity of trade barriers erected by wealthy nations, such as sugar quotas. As the proportion of world agricultural trade to and from developing nations increases, their views will likely carry more weight.

As of this writing, it is not clear whether a compromise will be reached around the gradual reduction of agricultural trade barriers. Probably any compromise would give a larger role to market signals in international trade, while permitting nations to set their own domestic farm policies. Interim statements promise protection for the particular needs of developing countries. Compromise in agricultural trade questions is not isolated from other GATT discussions or pressing domestic questions. Dependence on manufactured exports for Japan and resistance to tighter patent and copyright rules by Brazil play out against agricultural negotiations. Even in the U.S., Congress could not muster a majority to support completely unregulated trade in agriculture.

UNCTAD: At the United Nations Conference on Trade and Development (UNCTAD) the developing nations have a somewhat stronger voice. Industrial nations, including the U.S., have been reluctant participants. One major accomplishment of UNCTAD has been the Generalized System of Trade Preferences, or the GSP, first negotiated in 1969 and later accepted by the GATT. Under this system the products from developing nations get preferred status as imports to rich nations. However, agricultural products and textiles have been largely excluded from the GSP.

Regional Blocs: The growth of regional trade blocs or areas of influence could either reduce trade conflicts or create additional problems. The EC and COMECON in Eastern Europe are examples of working regional trade arrangements. Another, the recent Canada-U.S. trade treaty, will bring the two nations closer economically with mutual reductions in trade barriers. Among Pacific Rim nations, Japan is a significant market for countries such as Taiwan, South Korea, and Thailand, and an important investor in their economies. Observers suggest that Pacific trade links will increase but stop short of any formal agreement.

Regional trade pacts among developing nations have been discussed in Section 3. Intra-Third World pacts could be an alternative to, or stepping stone toward, greater participation in the global economy. Or, regional trading arrangements may fail due to political differences among the countries or the similarity of products offered in trade. The criticism of regional trade blocs is that they may threaten the success of truly international trading arrangements such as the GATT. Some people forecast that competition among trading blocs could backfire and lead to high tariffs and economic retribution.

North-South Blocs: Another type of trading bloc joins countries of the North with countries of the South. The Lomé Convention embraces former European colonies in Africa, the Caribbean, and Pacific which are allowed especially favorable terms of trade with the EC. Likewise the Caribbean Basin Initiative (CBI) was sponsored by the U.S. to provide special access to the U.S. market for 27 small nations, plus investment opportunities for the U.S. in the Caribbean. However, in the CBI many important products -- e.g. sugar, textiles, beef -- are excluded from special access to the U.S. market.

Instructing Your Negotiators

The U.S. is represented in international trade negotiations by the U.S. Trade Representative who is appointed by the President. Treaties negotiated by the Administration must be approved by the Senate and, in the end, must be consistent with other agricultural and trade laws passed by Congress. Thus, the agricultural agreements in the Uruguay Round of GATT should be in harmony with the 1990 farm bill. And finally, the President and members of Congress must answer to you and all the citizens who elected them.

Actors & Perspectives

The trade and agricultural policies of most countries are influenced by their citizens, often the more powerful, vocal, or wealthy ones. In the U.S. **farmers** participate in commodity groups as well as general farm organizations. **Consumers** have organizations to express their views, as do **taxpayers** and **environmentalists**. Among developing countries there are differences in the degree to which interested groups are organized or able to express their opinions. Virtually everywhere the poorest people are neither well organized nor heard.

Photo: The World Bank

Well-fed **consumers** in the U.S. and other nations can purchase foodstuffs from many lands thanks to international trade. Those who can afford it eat well, whether they live in Brazil, France, or India. The **poorest** in every land are hungry.

In low-income nations of the world 7 out of every 10 **workers** produce food. Many of their families are hungry. In comparison less than 1 out of 10 workers produces the food in high-income nations, but some of their families are also hungry.

Like other countries the U.S. believes that food security is important. **Taxpayers'** dollars are used to support agriculture. U.S. food production is usually greater than domestic use, making available food for export, but some efforts intended to help U.S. farmers by subsidizing exports have the effect of hurting farmers in developing countries.

Agricultural **businesses** everywhere -- large and small -- depend on farmers with income to spend on tools, fertilizers, and seeds. International businesses, particularly grain traders, depend upon a large volume of sales in a fluid world market.

As a nation seeks to formulate policies for trade and agriculture, these actors have varying perspectives and degree of influence. Some actors, such as international businesses, favor reduced farm subsidies at home and a shift toward freer trade. Farmers in both industrialized and developing nations are divided. Some advocate a free trade position.

Some farmers believe a managed approach to trade and trade agreements would raise world prices and their incomes. Agribusinesses think a managed approach to trade results in poor use of resources and raises food costs; such an approach would also curtail their business.

Photo: The World Bank

Consumers and taxpayers tend to view any trade policy keeping their pocketbooks in mind. Thus, proposals that appear to offer savings to consumers and taxpayers are likely to get their support. Unfortunately the cost of particular policies is not always easy to predict, nor are tradeoffs always recognized.

People concerned with the **environment** want policies which emphasize sustainable farming practices around the globe. As farmers, consumers or taxpayers, these people are willing to pay more for their food if necessary to ensure environmental protection.

Likewise, citizens who favor such **social goals** as strengthening family farms, rebuilding rural communities, or creating employment, want these goals considered in setting policy. Poor people – in the U.S. or developing nations – and marginal farmers or farm workers want farm and trade policies which will open opportunities to escape poverty.

Creating Guidelines

For U.S. citizens concerned about agricultural and trade policies there are plenty of opportunities for action. Some people find a local organization which closely reflects their views. Joining with others, they seek to shape public opinion and influence policy by advocating changes in laws and regulations. Congress is the focus for changing laws about farm and trade policies. The executive branch is another place for citizen attention because it plays an important role in trade negotiations and administering farm policy, based on guidelines established by Congress.

Ideas, decisions, and institutions do change. Individuals and groups can educate and influence decision makers who develop trade and agricultural policies. In seeking to influence policy, a useful place to start is by developing some rules or guidelines to measure trade and farm policies.

Citizens can change the terms of the debate by raising key questions to emphasize their priorities. Here are the questions that were raised at the beginning of this study.

- **How do U.S. trade and agricultural policies help or hinder people around the world in meeting their daily food needs?** What grain reserves are needed to ensure food supplies in times of scarcity?

- **What is a healthy mix of self-reliant food production and dependence on food imports for developing nations? For the U.S.?** How can a poor nation's food production for export contribute to development? Can food imports contribute to development?

- **How much should the United States protect its family farmers?** How can the U.S. ensure that policies supporting Third World development do not harm U.S. family farmers? How can the U.S. ensure that programs designed to help farmers at home do not harm farmers and farm workers in Africa, Latin America, and Asia?

- **How can the interests of poor people and poor nations be made a priority in trade policies and negotiations?**

From these questions, guidelines or criteria can be created to evaluate policy proposals for food trade, development in relation to trade, or farm programs that affect trade. No matter how complex or technical the issue, the right questions or guidelines can shape public opinion and move leaders in desired policy directions.

6. Becoming Involved

What is the next step? How can ordinary folks get involved in setting policies? What kinds of actions can any of us take to make changes?

Like other parts of life, **the place to start is with yourself and your community.** Phrases such as "think globally, act locally" convey the need to start where you are. At a personal level you can decide to make changes in your daily life. Suggestions include:

- Examine your diet to become more conscious of your dependence on others.
- Consider your lifestyle -- make intentional choices as you use the world's resources.
- Grow some of your own food. (Community gardens are an option for city dwellers.)
- Think, as you buy, about who benefits.
- Organize an educational study of trade and development with your farm, church, or service group.
- Invite a speaker or panel to discuss trade and development issues with a group in your community.

It is important to remember that other people share your concerns -- you probably don't have to change the world single-handedly! Perhaps your study of trade and development issues took place with a community, farm, or church group to which you belong. Certainly your group is a good action base.

First you need to agree on the longer term goal(s) such as modifying some aspect of trade policy or the farm program. Together you can brainstorm ideas for involvement. Next, discuss and rank these ideas so that everyone agrees on the priorities.

Photo: USDA

For group action one important key is to select "doable" steps that fit a relatively short time frame. For example:

- Survey one shelf in a local grocery store, or one week's school lunch menu, to find countries of origin of the food items; publish results in your local newspaper to make citizens aware of their international diets -- who benefits, who loses.
- Sponsor a public meeting on an aspect of trade and development issues most likely to interest your community.
- If you live in a food producing area, find out the destinations of the region's exports; who are the major competitors for your farmers -- other U.S. producers? farmers in other nations?

- Learn about current legislative proposals which would affect U.S. farmers, Third World development, or trade. (See resource list below for groups with information about legislation).

- Work within your agency or denomination to study and work out positions on trade, development, and U.S. agriculture.

- Join with other groups to advocate particular policies which you believe would help U.S. farmers and poor people, as well as Third World farmers and poor nations.

- Organize a rural-urban exchange to share perspectives on farm, trade, and development issues. (See resource list for organizations.)

Local or national organizations often have study courses about regions of the world or specific issues such as Third World debt or the environment. U.S. farming, agricultural trade, and development questions are integrally related to these topics. **You can make sure that these critical linkages are made.**

At the regional or state level, your local organization can volunteer to conduct workshops about trade, agriculture, and development questions and linkages. Many farm and church groups have state or regional meetings at which these issues could be raised.

At the national level, many groups analyze current legislation and keep their members informed, including several of the sponsoring and cooperating agencies of this Trade and Development Program. In the resource section following are a few of the citizen advocacy groups who work with some or all of the topics. Many national groups have state or regional offices.

In short, take advantage of the many excellent resources and existing networks to make people aware that their lives are vitally affected by agricultural and trade policy decisions. Working together you can change not only your own lives and communities, but also help support the choices made by people in poor nations.

Suggested Resources

This resource list is intended to be suggestive rather than exhaustive. People who wish additional resources should consult organizations listed, community libraries or local experts, or contact the Trade and Development Program, 802 Rhode Island Ave. NE, Washington, DC 20018. 202-269-0200.

National Organizations

Sponsors of Trade and Development Program:

Bread for the World Institute on Hunger & Development, 802 Rhode Island Ave. NE, Washington, DC 20018. 202-269-0200.

Center for Rural Affairs, P. O. Box 405, Walthill, NE 68067. 402-846-5428.

Evangelical Lutheran Church in America, Lutheran Office for Governmental Affairs, 122 C Street NW, Suite 300, Washington, DC 20001. 202-783-7501; and Division for Outreach, ELCA, 8765 West Higgins Road, Chicago, IL 60631. 800-638-3522.

Friends Committee on National Legislation Education Fund, 245 Second St. NE, Washington, DC 20002. 202-547-6000.

National Catholic Rural Life Conference, 4625 NW Beaver Drive, Des Moines, IA 50310. 515-270-2634.

National Farmers Organization, Washington Office, 475 L'Enfant Plaza SW, Suite 2250, Washington, DC 20024. 202-484-7075.

National Farmers Union, 600 Maryland Ave. SW, Suite 202W, Washington, DC 20024. 202-554-1600; and 10065 E. Harvard Ave., Denver, CO 80231. 303-337-5500.

The National Grange, 1616 H Street NW, Washington, DC 20006. 202-659-6797.

Presbyterian Church (USA), Presbyterian Hunger Program, 100 Witherspoon St., Louisville, KY 40202. 502-569-5818.

U.S. Catholic Conference, Dept. of Social Development and World Peace, 3211 Fourth St. NE, Washington, DC 20017. 202-541-3185.

Educational and Advocacy Groups:

American Farm Bureau Federation, Washington Office, 600 Maryland Ave. SW, #800, Washington, DC 20024.

Breakthrough on Hunger Network, 1802 Lawrence St., NE, Washington, DC 20018. Contact for information about national PBS-TV series early in 1990.

Church World Service, P.O. Box 968, Elkhart, IN 46515. Has film library, contacts for regional offices.

Heifer Project International, 1015 South Louisiana, Little Rock, AR 72202.

Interfaith Action for Economic Justice, 110 Maryland Ave. NE, Washington, DC 20002.

Institute for Food and Development Policy, 145 Ninth Street, San Francisco, CA 94103.

Land Stewardship Project, 14758 Ostlund Trail North, Marine, MN 55047.

League of Rural Voters, 212 Third Ave. North, Minneapolis, MN 55401.

League of Women Voters of the United States, 1730 M St. NW, Washington, DC 20036.

The National Center for Food and Agricultural Policy, Resources for the Future, 1616 P St. NW, #600, Washington, DC 20036.

Office on Global Education, National Council of Churches, 2115 N. Charles St., Baltimore, MD 21218.

Women Involved in Farm Economics (WIFE), HCR 1, Royal City, WA 99357.

Commodity Groups:

American Soybean Association, P.O. Box 27300, St. Louis, MO 63141.

National Association of Wheat Growers, 415 Second St. NE, Suite 300, Washington, DC 20002.

National Corn Growers Association, 1000 Executive Parkway, Suite 105, St. Louis, MO 63141.

Community Resource People

In all communities or regions there are many valuable resource people who could assist with education in agriculture, trade, and development. Some suggestions:

Food production people: Farmers, business owners, extension agents, researchers, state and federal agricultural employees, and others are personally connected with U.S. food system.

People with Third World experience: Peace Corps volunteers, business persons, exchange students or teachers, government employees, scientists, church workers, and others have lived and worked in Third World countries, or have come from Third World countries to live here.

People from educational institutions: Teachers in community colleges, high schools, universities -- or retired -- have expertise in economics, history, political science, sociology, and other trade-related subjects.

Leaders of religious bodies: Members and clergy from religious bodies have ethical views and biblical perspectives to offer.

Elected and appointed officials: Elected and appointed officials and their staff members, at both state and federal levels, are important resources especially for policy questions.

Print Materials

Statistics and Data

Economic Research Services-USDA, *Agricultural Outlook, Economic Indicators of the Farm Sector, Rural Development Perspectives, Foreign Agricultural Trade of the U.S.* and other materials. Contact USDA-ERS, P.O. Box 1608, Rockville, MD 20850.

The World Bank, *World Development Report 1989*, New York: Oxford, 1989.

World Resources Institute, *World Resources 1988-89*, New York: Basic Books, 1988.

Topical Works:

Brown, Lester R. et al, *State of the World 1989*, New York: Norton, 1988.

Cesal, Lon, et al, "The Effects of Altering Structure of Trade," National Center for Food and Agricultural Policy, Resources for the Future, 1616 P St., NW, Washington, DC 20036.

Debt Crisis Network, *A Journey Through the Debt Crisis*, Institute for Policy Studies/Transnational Institute, 1901 Q St. NW, Washington, DC 20009. $3.00.

Gilpin, Robert, *The Political Economy of International Relations*, Princeton: Princeton University Press, 1987.

International Monetary Fund, *Issues and Development in International Trade Policy*, Occasional Paper #63, IMF, External Relations Dept., Public Services, Washington, DC, 20431. $7.00.

Morrison, Elizabeth and Randall B. Purcell, *Players and Issues in U.S. Foreign Aid*, Kumarian Press, 630 Oakwood Ave. Suite 119, West Hartford, CT 06110, 1988.

Paarlberg, Robert, *U.S. Agriculture and the Developing World: Partners or Competitors?*, Curry Foundation, 1717 Mass. Ave. NW, Suite 601, Washington, DC 20037, 1987. $3.00.

Ray, Daryll E. and James S. Plaxico, *The Economic Structure of Agriculture: Rhetoric versus Reality*, National Farmers Organization, 475 L'Enfant Plaza, SW, Washington, DC 20024. 1988.

Rosson, C. Parr, et al, eds, *Southern Agriculture in a World Economy*, Southern Rural Development Center, P.O. Box 5446, Mississippi State, MS 39762. 1988.

Spivack, Neal & Ann Florini, *Food on the Table: Seeking Global Solutions to Chronic Hunger*, UNA-USA, 485 Fifth Ave., N.Y. N.Y. 10017, 1986. $5.00

Strange, Marty, *The Great Trade Debate*, Center for Rural Affairs, P.O. Box 405, Walthill, NE 68067, 1989. $7.00.

Winrock International Institute for Agricultural Development, *Food, Hunger, and Agricultural Issues*, Winrock, Route 3, Box 376, Petit Jean Mountain, Morrilton, AR 72110.

World Commission on Environment and Development, *Our Common Future*, New York: Oxford, 1987.

Curriculum Aids:

Religious Network for Equality for Women, *Learning Economics: Empowering Women for Action*. RNEW, 475 Riverside Drive, NY, NY. $10.00 plus shipping.

Hamilton, John Maxwell, *Main Street America and The Third World*, Seven Locks Press, PO Box 27, Cabin John, MD 20818, 1986.

Office on Global Education, *Make a World of Difference: Creative Activities for Global Learning*, Church World Service, PO Box 968, Elkhart, IN 46515, 1989, $10.00.*

The World Bank, *Catalog of Educational Materials 1989*, 1818 H Street NW, Washington, DC 20433, 1989, free.

* For one all-purpose resource, this recent publication is recommended as it includes topics from "Building Community" to "Cooking up a New Perspective" to multiple resource listings.

Glossary of Trade Related Terms

Capital - Capital means the resources (money, tools, machines, land, roads, dams, etc.) used to produce other goods and services.

CBI - The *Caribbean Basin Initiative* is an agreement initiated by the U.S. in 1983 giving free access into the U.S. for many products from 27 small developing countries of Central America, the Caribbean, and northern South America.

Centrally Planned Economies - Centrally planned economies are nations in which production and pricing decisions are made by government rather than by individuals or firms in response to market signals.

Conditionality - Conditionality refers to the requirements, usually changes in economic policies, attached to loans made by international lending institutions or aid agencies.

Developing Nations - Developing nations are countries of Asia, Africa, and Latin America with low per capita incomes and low standards of living. In this study the terms developing nations, Third World nations, and nations of the South are used interchangeably. Poor or low-income nations refer to the least well-off among developing nations.

Development - The goal of development is the opportunity for all people to attain the basic necessities of life: food, shelter, health care, education, work with dignity, and spiritual development. The process of development will vary with the local culture, but it should include broad participation in community, national, and international decision making.

EC - The *European Community* consists of 12 European nations which have formed a regional economic group and agreed to remove all internal economic barriers by 1992. The EC has a common agricultural policy (CAP) which maintains relatively high domestic prices for agricultural commodities.

EEP - The *Export Enhancement Program* is a program of export subsidies included in the 1985 farm bill to make U.S. agricultural products more competitive in world markets.

Fiscal Policy - Fiscal policy includes various measures used by a government for raising and spending revenue.

Food Security - Food security is assured access for every person, usually by production or purchase, to enough nutritious food to sustain productive human life.

Foreign Exchange - Currency or credit acceptable for use in settling international accounts, most often dollars.

Free Trade - Free, or liberalized, trade refers to trade without government intervention regarding price, production decisions, use of land or related resources, or the movement of goods, services and capital internationally.

GATT - The *General Agreement on Tariffs and Trade* is the principal forum for reducing barriers, negotiating rules, and settling disputes in international trade. Nearly 100 governments participate in the GATT.

Green Revolution - The Green Revolution refers to the increase in grain production in some developing countries in the 1960s and 70s as a result of improved technology -- seeds, fertilizer, irrigation.

Industrial Nations - Nations with high per capita income and high standard of living for most people. Industrial nations are also called developed nations and the North.

IMF - The *International Monetary Fund* is a body established to stabilize international currency transactions.

Liberalized Trade - see Free Trade

Lomé Convention - The Lomé Convention is a trade arrangement between the EC and about sixty nations of Africa, the Caribbean, and the Pacific. The pact allows certain commodities and products from these nations privileged access to the European market.

Monetary Policy - Monetary policy is all government policy related to the money system, such as money supply and interest rates.

Nontariff Barrier - A nontariff barrier is any government action other than tariffs which may affect trade, such as informal agreements or quotas.

Quota - A quota is a restriction on the export or import of a particular commodity. The restriction may be measured in value or quantity.

Productivity - The ability of people to produce goods and services, related to some measure of inputs, usually labor.

Protectionism - Protectionism refers to measures such as tariffs and nontariff barriers which a government takes to restrict imports from other countries.

Self-reliance - A food self-reliant nation maintains control over its food policies, deciding which foodstuffs it should produce for itself and which to import.

Self-sufficiency - A food self-sufficient nation produces all food required for domestic consumption and does not need to purchase food from the world market.

Subsidy - A subsidy is an incentive by government to encourage specific actions or practices -- for example, a payment to grow or export particular crops or a discounted price for food or agricultural exports.

Structural Adjustment - Structural adjustment refers to economic policies through which a nation adapts to changing trade or economic conditions. (See also Conditionality)

Sustainable agriculture - "A sustainable agriculture is one that, over the long term, 1) enhances environmental quality and the resource base on which agriculture depends, 2) provides for basic human food and fiber needs, 3) is economically viable, and 4) enhances the quality of life for farmers and society as a whole." Working definition from the American Society of Agronomy, 1988.

Tariff - Tax or duty placed on imported goods.

UNCTAD - The *United Nations Conference on Trade and Development* was established to discuss ways international commodity trade can assist the development process.

World Bank - The World Bank is a group of international financial institutions owned by the governments of more than 150 nations. The bank provides loans for economic development.

Acknowledgements

The Trade and Development Program is deeply grateful to the many individuals and groups who have assisted in preparation of these materials. Help from reviewers, editors, designers, educators, colleagues, family, and friends has been invaluable. The final product is solely the responsibility of the Program.

This booklet is made with recycled fiber.

Send Us Your Ideas and Reactions!

1. How were you introduced to this study booklet *Exploring the Linkages?*

2. Have you used this booklet . . . alone? _____ with a group? _____

   What group? _____

3. What part(s) of the booklet: *Exploring the Linkages* did you study or discuss?

4. What did you find most stimulating or useful?

   Least interesting or useful?

5. Did you see the accompanying video: *Linkages: Your Role in the World's Food Connections?* yes _____ no _____

6. What next step do you plan to take concerning these subjects (trade, U.S. agriculture, Third World development)?

   _____

   _____

Other comments _____

_____

For Additional Information

Please send me additional information or bibliography about the following specific subject(s):

Please send:

____ Study kit: $5.00 plus $2.00 shipping

____ Single study booklet: $3.50 plus $1.50 shipping

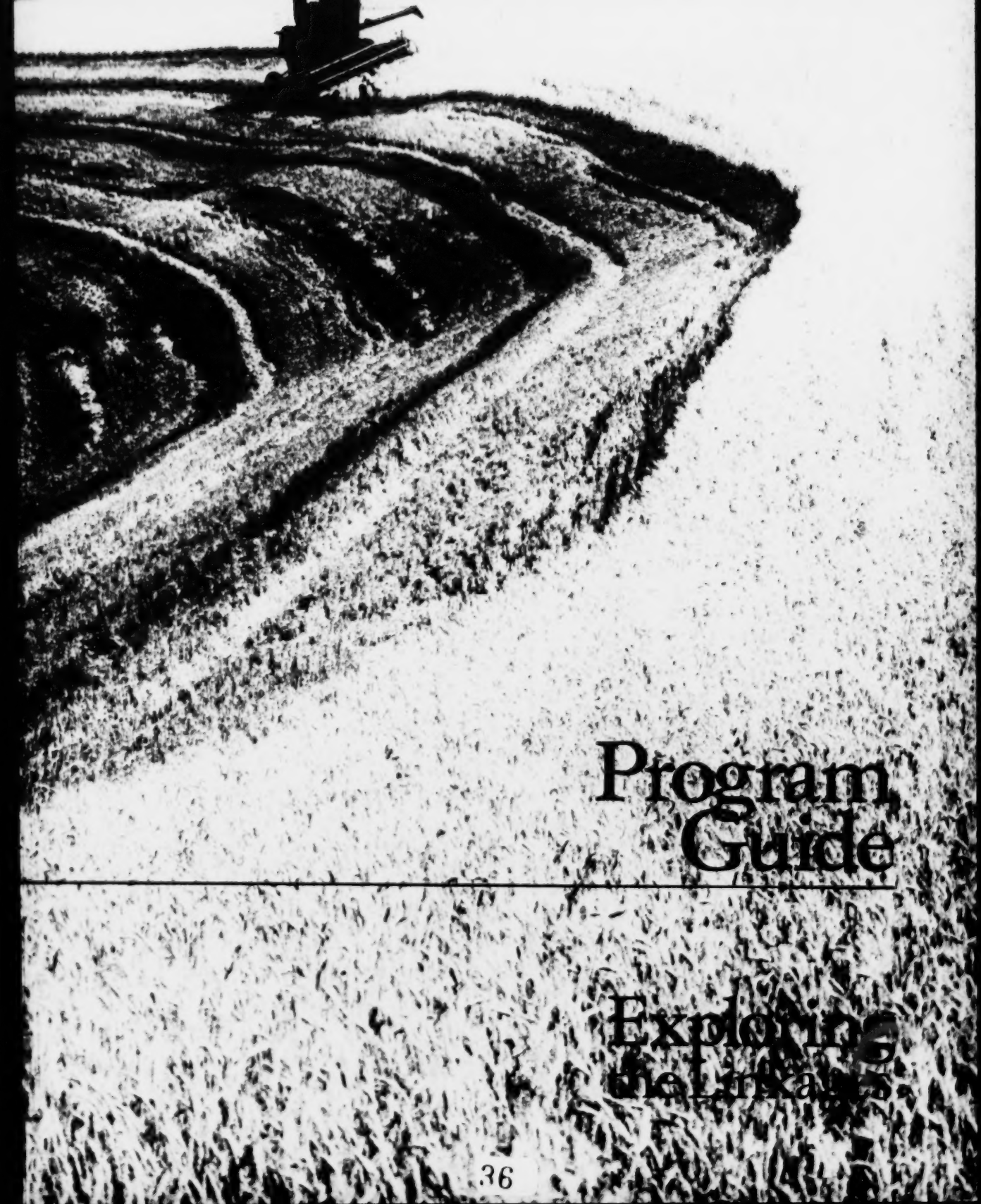
____ Video *Linkages: Your Role In the World's Food Connections*: $10.00 plus $2.00 shipping

Make checks payable to: **Trade and Development Program** 202 269-0200
Mail to: **802 Rhode Island Avenue, NE, Washington, DC 20018**

Name: _____

Address: _____

Telephone: _____



Program Guide

Exploring the Library

Program Guide

Exploring the Linkages

Trade Policies,
Third World Development,
& U.S. Agriculture

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Preface

The Trade and Development Program is an educational venture linking trade policies, Third World development, and U.S. agriculture. The ten farm and faith groups sponsoring the Program believe that trade relationships and policies are important in trying to overcome world hunger and improve the U.S. food system. The Program is funded by a grant from the W.K. Kellogg Foundation.

The goal of the Program is to help U.S. citizens explore the linkages between their lives, world food trade, and Third World development needs.

The Program will not attempt to reach consensus nor to advocate specific trade or agricultural policies. However, the sponsors share these perspectives:

- Agricultural and trade policies should be more sensitive to the interests of farmers, farm workers, consumers, and poor people throughout the world.
- Broad participation in community, national, and international decision making is crucial.
- Individual and community stewardship, supported by sound public policies, is critical in the care and preservation of the global resource base.
- Maintaining U.S. family farmers and vital rural communities is important to the fabric of the nation; farming families and rural communities are important resources around the world.
- Moderate sized farms, development projects, or trading enterprises are generally preferable to large scale undertakings.

Sponsoring Agencies

Bread for the World Institute on Hunger & Development
Center for Rural Affairs
Evangelical Lutheran Church in America
Friends Committee on National Legislation Educational Fund
National Catholic Rural Life Conference
National Farmers Organization
National Farmers Union
National Grange
Presbyterian Church (USA)
U.S. Catholic Conference

Consultants

The National Center for Food and Agricultural Policy, Resources for the Future
Breakthrough on Hunger PBS-TV Series

To the Leader

This Program Guide, which accompanies the study booklet *Exploring the Linkages* and supplementary materials, is designed to help you, the leader, facilitate discussions about agricultural trade, development, and U.S. agriculture. The program activities suggested here assume the active engagement of participants in the learning process. The activities may also assist your group in sharing values and building community.

The Program Guide is intended to:

- help set goals for each session;
- suggest time allocations for each session and activity;
- provide activities and questions for each session;
- offer ideas for sharing, worship, and special activities.

There are two basic program options:

The *introductory program* (1 - 2 hours) is designed to arouse interest and raise questions about the subjects and their linkages (page 4). Hopefully it will lead to further study and/or to greater involvement in action or advocacy.

The *study series* (5 - 10 hours) provides for more exploration of the three subjects and their linkages (page 10). It is suitable for a group which meets regularly or for a workshop of several hours duration. Variations are suggested to adapt the study series to the needs of your group.

The study booklet *Exploring the Linkages* has three uses:

- background reading material for participants to prepare for each session of study series;
- background reading material for you, the leader, in preparation for the programs;
- suggestions for additional resources and on-going activities.

Introductory Program

Introducing Trade Linkages

Time	1 - 2 hours
Resources	*Exploring the Linkages* Study Kit Video: *Linkages: Your Role in the World's Food Connections* (To order video or more print materials see page 25.)
Equipment	Pad on easel and markers or chalkboard and chalk VCR and television for video Optional: large world map; overhead projector

Purpose

To arouse interest in the subjects of trade, development, and U.S. agriculture and their linkages.

Goals

After this program participants should be able to:

- describe the three subjects and main actors;
- state ways in which U.S. agriculture and Third World development are linked by trade;
- express several specific instances of their personal stake in the issues.

Program Plan

A program session is presumed to be 1 - 2 hours. The general format includes:

- an opening activity to draw people together;
- small and large (or whole) group tasks;
- a final activity which knits together the threads and points to the next meeting.

The one hour program session time is minimal and should be expanded if possible. Participants are more likely to feel comfortable with the subjects if adequate time is devoted to each step.†

5 minutes	1. Opening activity
10 minutes	2. What did you eat for breakfast?
20 minutes	3. Introduce Program subjects and goals
15 minutes	4. Naming linkages
10 minutes	5. Develop ideas for future activities

† *90% of field test respondents wanted to pursue general or specific subjects after an initial session.*

Program Process

It's a good idea to involve participants starting with the opening activity. Participants can present suggested scriptures and readings, or their own selections. Poetry, folk tales, or brief magazine or newspaper articles can be thought-provoking.

If participants are not all known to each other, introductions are in order. If possible, the group should sit in a circle to foster good communication. Encourage expression of diverse opinions. Whether brought out through role-playing, debates, or open discussion, a variety of viewpoints will enhance the learning process.

Program Presentation

5 minutes

1. Opening Activity

Large Group

Focus on ideas such as food, farming, or justice. Sharing by participants from their own lives or about their concerns involving agriculture, trade, and development can be an excellent beginning.

Suggested scriptures:

Hosea 10:12
How can we "sow justice" on behalf of U.S. farmers and Third World farmers?

Matthew 12:1-7 (or 1-14)
Jesus teaches that the needs of ordinary people for food, health, and livelihood are more important than rules, traditions, or bureaucracies. Do we reach beyond our comfortable habits and routines to understand the everyday needs and hopes of poor people and poor nations?

Genesis 41:33-36 and 53-57
Grain stored in the seven years of plenty feeds people during the seven years of famine. What responsibilities do we have today to follow this example?

Suggested readings:

"I am a farmer, son, husband, father of two daughters, community volunteer, friend, veterinarian, consultant, . . . carpenter, boss, housekeeper, and steward of the land. I list these roles not to stroke my ego but to let you know that a family farmer is much more than a fellow sitting on a tractor with a seedcorn hat on his head . . .

Can the family farm survive and is there a moral obligation to save it? The answer to both questions is yes. I hold close those values or morals that were ingrained in me as a young person by my ancestry, my religion, the environment of rural Iowa, and by nature . . . The family farm is the place where I know the opportunity still exists for this transfer from generation to generation. We need to save this business, social, and ethical environment."

an Iowa farmer in *Is There a Moral Obligation to Save the Family Farm?*[1]

"I worked on the hacienda over there, and I would have to feed the dogs bowls of meat or bowls of milk every morning, and I could never put those on the table for my own children. When my children were ill, they died with a nod of sympathy from the landlord. But when the dogs were ill, I took them to the veterinarian in Suchitoto.

You will never understand violence or nonviolence until you understand the violence to the spirit that happens from watching your children die of malnutrition."

a peasant in El Salvador in *Witness to War*[2]

10 minutes

2. What Did You Eat for Breakfast?

Large Group

a) Ask group to name their breakfast foods and record on pad, chalkboard, or overhead projector.

b) Group foods by place of origin:

U.S.A.†	Developing Countries
grains — cereals or breads: rice, wheat, corn, oats	
dairy products	
eggs	
meat products	
sugar	sugar (Philippines, Caribbean)
soft drinks	cocoa (West Africa)
orange juice	orange juice (Mexico, Brazil)
pineapple, other fruits	pineapple, bananas, other fruits (Latin America)
	coffee (East Africa, Latin America)
	tea (China, India, Sri Lanka)

c) Discussion: Clearly our food comes from producers around the world. What else is important? What personal stake(s) do I have in this question?

OPTION:
Using list of "actors" from Exploring the Linkages (page 4), or having group members each take the role of a different actor, discuss who might benefit from supplying a variety of foodstuffs and why? Who might not benefit and why?

† Participants may wish to discuss or research which regions in U.S. produce different crops.

20 minutes

3. Introduce Program Subjects and Goals

Large Group

CHOOSE a or b:

a) Show the Program video *Linkages: Your Role in the World's Food Connections* (14 minutes) to introduce the subjects and goals. Follow video with group sharing their responses. Participants might comment on the topics from the viewpoints of the many actors (see above). Define linkages — bonds, ties or connections.

b) Have 3 participants — or you, the leader, — prepare in advance a brief description of each subject. This is particularly suitable if your group includes people who have lived in other countries, farmers, business persons, or others with experience relating to the subjects. Define linkages — bonds, ties, or connections.

15 minutes

4. Naming Linkages

Small/Large Group

NOTE:
You will need to reproduce the diagram "Trade Linkages" for participants before the meeting.

a) Working individually, in pairs or small groups, label the arrows on the diagram "Trade Linkages" with specific trade activities which connect U.S. farmers and consumers with Third World farmers and consumers, e.g., U.S. wheat and feed grains, consumer demand for tropical products, technologies, food aid, multinational businesses. You may wish to use some of the breakfast foods as a starting point.

b) Add to the diagram complicating factors, e.g., debt, population growth, U.S. sugar quota (which interrupts developing country sugar exports), export subsidies (which boost U.S. grain exports).

c) Share ideas by writing on large (poster size) version of diagram or using overhead projector to label the arrows. Add arrows or other symbols as may be needed. One goal is to identify some linkages that relate to people's everyday lives, as well as others less closely related.

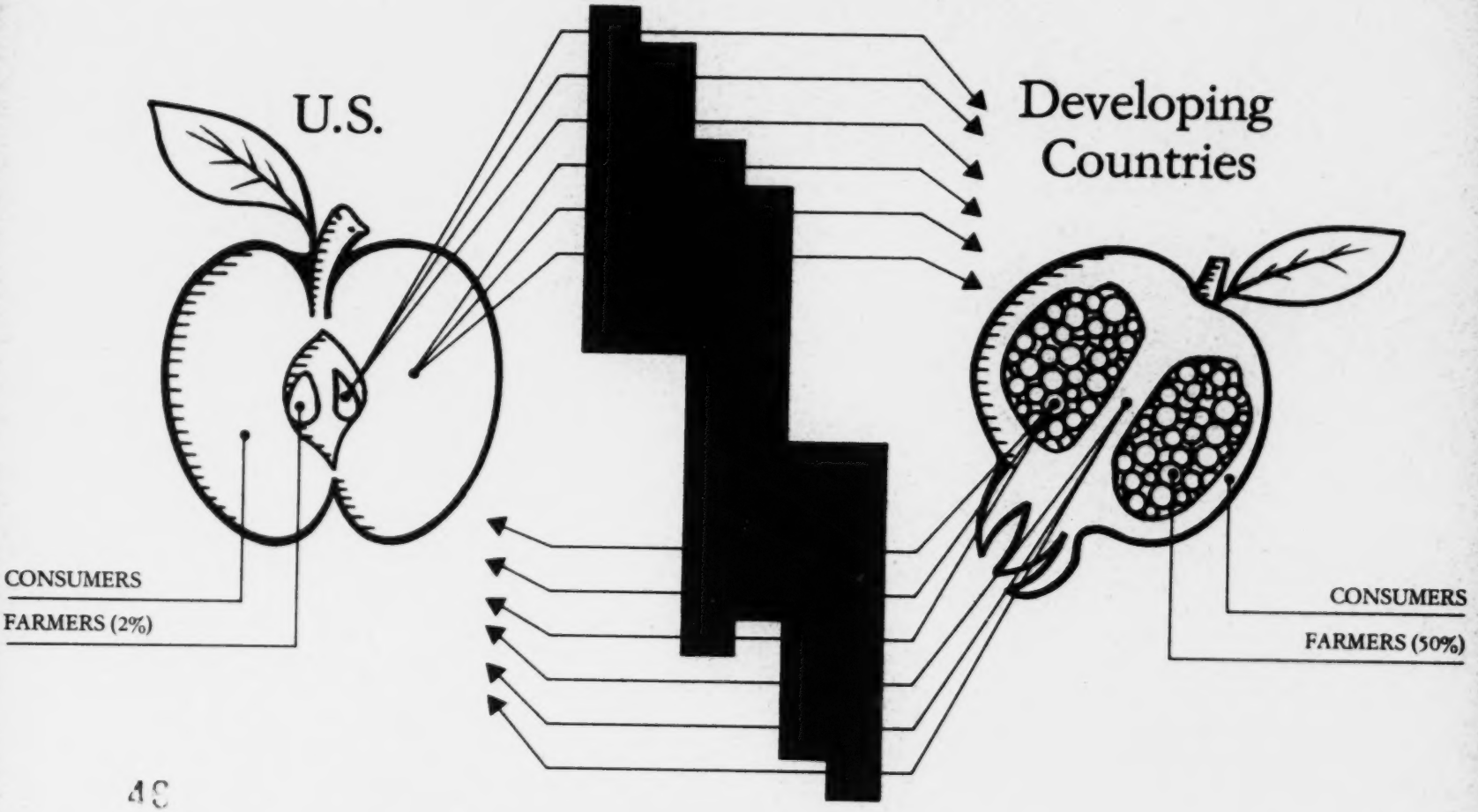
10 minutes

5. Develop Ideas for Future Activities

Large Group

Participants may have many ideas. If so, your job is to be sure that all suggestions are aired and recorded. If ideas are not forthcoming, you could provide beginning suggestions. (See Section 6 of *Exploring The Linkages*). We strongly suggest that at least one "next step" of study or action be agreed upon so as not to lose momentum.

Trade Linkages



Complicating Factors

→ Write the Trade Linkages on the arrows.

■ Write the Complicating Factors inside the grey bars.

Study Series

Time	5 - 10 hours
Per session	1 - 2 hours
Resources	*Exploring the Linkages* Study Kit Video: *Linkages: Your Role in the World's Food Connections* Supplementary resources: e.g. guest speakers, country and crop profiles
Equipment	Pad on easel and markers or chalkboard and chalk Large sheets plain paper and crayons or markers VCR with television for video Optional: large world map; overhead projector

Purpose

To explore the linkages between participants' lives, U.S. agriculture, Third World development needs, and agricultural trade;

To develop guidelines for U.S. farm and trade policies sensitive to the interests of poor people, poor nations, and U.S. farmers.

Program Plan and Process

Each program session is presumed to be 1 to 2 hours. See pages 4-5 for suggestions for program plan and process.

If only 4 hours are available, see notes in text below for combining program sessions 1 and 2, (see page 15) and likewise sessions 3 and 4 (see page 19). Suggestions for scriptures and readings are found on page 22.

Program 1
Introducing Trade Linkages

5 minutes

1. Opening Activity
Large Group

10 minutes

2. What Did You Eat for Breakfast?
Large group

See page 6 for description of activity. If there is additional time, draw out the personal "stakes." Or, add option below.

OPTION:
Using grocery advertising pages from local newspaper, work in small groups to determine the place of origin of products advertised. Participants might also want to decide whether any products originate in local region or state. As a follow-up, participants should check labels for places of origin at the grocery store. (Labels won't tell all, however!)

20 minutes

3. Introduce Program subjects and goals
Large group

See page 7 for description of activity.

15 minutes

4. Actors and roles
Large group

As described in *Exploring the Linkages*, many actors have roles on the trade and development stage. For discussions throughout the study series, each participant may select an actor whose voice needs to be heard. Examples: U.S. urban worker/taxpayer/consumer, poor Third World rice farmer or

landless sugar worker, hungry rural family, U.S. grain farmer, small business owner in U.S. rural community, project officer for World Bank, moneylender in Third World village, and so on.

Build on people's experience and ideas to create a varied cast. During the study series, you need to indicate when participants should move in and out of these roles.

10 minutes

5. Concluding Discussion

Large group

Define public policy and give examples. Brainstorm and list ways participants know of influencing public policies at local, state, or national levels. Participants who have been active in policy issues may want to share experiences or feelings of success and failure.

Ask participants to read Section 2 (Talking about Trade Policies) before next meeting.

Program 2
Talking About Trade Policies

Goals

After this program participants should be able to:

- describe free trade, managed trade, and mixed trade models;
- give arguments for or against one or more trade models;
- express own ideas about how different trade options could affect farmers, consumers, and other actors.

5 minutes

1. Opening activity
   Large Group

10 minutes

2. The Framework for Global Trade
   Large group

a. Review the three international institutions which provide some framework for trade and development — IMF, World Bank, and GATT — and their roles. A participant may prepare and present supplementary information about GATT or other topics. Your group may also wish to explore the many individuals, groups, businesses, and policies which are part of global trade.

b. What conclusions can participants draw from the graph on producer subsidies in *Exploring the Linkages*, (page 7).

OPTION:
If participants do not feel comfortable working with the three trade models, take time to ensure that the basic ideas are understood. If appropriate, an invited guest or knowledgeable participant can lead this discussion.

20-30 minutes

3. Comparing Trade Models

3 Small Groups†

a. Assign each group one trade model.

b. Task:

- Prepare to present (and defend) assigned model to other groups. Use one or several presenters as preferred.

c. Process:

- In small groups work together to ensure that each group member understands the basic ideas. Discuss or role play how the different actors will be affected. Strategize ways to "sell" the model to the other groups using imagination in making appropriate arguments. Consider ways to deflect opponents' criticisms. If time remains, review the other models and plan ways to critique them.

† *If the entire group is fewer than 9 people, divide into 2 small groups to study and present the free trade and managed trade models. Conclude the presentations by exploring ways to combine the advantages participants see in each model.*

---

20 minutes

4. Present the Models

Large Group

Plan appropriate timing and ground rules in advance for presentations to large group. The merits and drawbacks of each model, as seen by participants, should emerge in the discussion. There will likely be ambiguity about the possible results from different models.

---

5 minutes

5. Concluding Discussion

Large Group

Returning to the many actors, ask questions such as: which policy would most help U.S. consumers? U.S. farmers? the environment? Third World farmers? Third World poor families?

Ask participants to read Section 3 (Third World Agricultural and Economic Development) before next meeting.

NOTE:

Programs 1 and 2 could be adapted into one (very intense) two-hour session by using #1, steps 1, 2, 3, and 5, moving from public policy discussion into trade policy discussion, and #2, steps 3, 4, and 5. For this to succeed, participants need to study carefully the materials in advance. Small group leaders for the different trade models could be selected to prepare for the discussion in advance.

Program 3
Third World Development

Goals

After this program participants should be able to:

- describe some characteristics of developing nations;
- list various development choices and their linkages to trade;
- list possible external influences (good or bad) which could affect development.

---

5 minutes

1. Opening Activity

Large Group

---

5 minutes

2. What Is a Developing Country?

Large group

Working together list some of the common attributes of developing countries. Mention examples of developing countries, possibly using supplementary materials.

---

25 minutes

3. Create a Developing Country

Small Groups of 4-6

a. Copy in advance and distribute list of characteristics (next page) to each group. (Some leaders have varied the list for each small group to add interest). Be sure that participants understand all the terms used, and know that the data is based on 1987 World Bank figures for a group of low-income countries. Give each group 1-2 large sheets of plain paper, markers or crayons.

b. Task:

- Create a developing country with these characteristics:
  - — independent over 20 years
  - — relatively stable government and working economy
  - — shares boundaries with 3 nations
  - — has sea coast including port
  - — has semi-tropical climate
  - — produces staple (cereal) crop

  - — per person share of GNP $388/year
  - — very little money for investment in development
  - — debt service takes 17% of income from exports
  - — 68% of work force employed in agriculture

  - — 1 out of every 10 babies dies before age one
  - — life expectancy of 55 years
  - — 73% of elementary school age children attend school
  - — population will double in 25 years

- For purposes of comparison the U.S. has:
  - — per person share of GNP $18,530/year
  - — 2% of work force employed in agriculture
  - — 1 out of every 100 babies dies before age one
  - — life expectancy of 75 years
  - — population will double in 75 years

c. Process:

- Each group selects NAME for imaginary country.
- Group decided on *resources available for development which must include agriculture*. They next draw a picture of their country to illustrate these resources.
- Participants should make imaginative but logical use of the data. They might point to the elementary school children and teachers as resources to teach illiterate adults. Or, imagine people forming cooperatives for credit or marketing. In matters not specified, such as number of health care workers and facilities, reasonable assumptions can be drawn from the infant mortality and life expectancy figures. Participants with personal experience in developing countries will have much to add. Supplementary materials can be used to enrich this activity.

- Group adds to picture around their country the *external forces — good or bad — which affect development* in their country. (Examples would be foreign debts, aid, weather, unfavorable foreign exchange rates, warfare, drug trade, etc.)
- Group lists a *set of priorities or development plan* for their country. In making this plan, consider what overall approach to development is best for that country. Be sure to include agriculture and trade (how much? what kind?) in the plans.

25 minutes

4. Sharing Countries

Large Group

a. Spokespeople for each small group present their illustrated countries:
— internal resources for development
— external forces which can influence development
— priorities for development, including trade and agriculture

b. Conclude by discussing the similarities and differences; speculate together what priorities, e.g., more education, debt reduction, could best help a country develop. Participants may want to share their feelings (excitement, frustration) of seeking a viable development path for their country. The process of development involving broad participation, and by implication trust and good communication, may also be explored together.

OPTION:

With additional time, a representative from each of the three imaginary countries could meet to discuss their resources and common problems, with other participants observing the process.

Task:

- *The goal for the representatives is to seek an agreement for an economic relationship (or alliance) to help all of them best use their resources and realize their development plans. In a final period of sharing the observers should be able to pinpoint barriers and misunderstanding as well as potential but un-noticed solutions.*

Ask participants to read Section 4 of *Exploring the Linkages* (U.S. Agriculture and Trade) before the next meeting.

Program 4
U.S. Agriculture and Trade

Goals

After this program participants should be able to:

- list major purposes and some effects of U.S. farm policy;
- describe trade aspects of U.S. farm policy;
- compare advantages and disadvantages of increasing agricultural trade with Third World nations.

5 minutes

1. Opening Activity

Large Group

15 minutes

2. Current Farm Policy

Large Group

a) List some goals of U.S. farm policy.

OPTION:
Discuss which goals participants believe are most important.

b) List ways in which farm policy is tied to trade.

- Discussion questions: Why are exports important to many U.S. farmers? Which ones? How and why does present policy encourage low export prices? How are the different actors affected? If desired, use graphs from *Exploring the Linkages* to provoke or enhance discussion.

20 minutes

3. Exercise: Trading with Third World Countries

Small Groups

a) Divide into small groups with paper and markers.

b) Task:

- List the likely advantages and disadvantages for U.S. farmers of increased agricultural exports to Third World countries.
- List the likely advantages and disadvantages for Third World farmers of increased U.S. agricultural exports to their countries.
- List possible barriers to U.S. agricultural exports, e.g., Third World debt, political upheaval, high value of dollar, Third World protection of their farmers.

20 minutes

4. Evaluating Agricultural Trade Policies

Large Group

a) Share lists (pad, chalkboard, overhead projector) of advantages and disadvantages of increased U.S. agricultural trade for U.S. and Third World farmers, and of possible barriers.

b) How would the different actors (page 11) view increased U.S. ag exports? How would they view increased Third World agricultural exports?

c) Discuss:

- What role or responsibility does our government have to U.S. farmers and Third World farmers in making agricultural and trade policies?

OPTION:

If the group does not include farmers, ask each participant to write "a letter" to a U.S. farming family to express their feelings about our food producers and/or to raise concerns about the present and future course of U.S. farming. Letter could be written at home and shared at next session during step 3.

NOTE:

Groups already well informed about U.S. farm policy may wish to adapt this program. Groups with limited time could combine Program 3, steps 1 and 2 with Program 4 steps 2, 3, and 4 into a single, two-hour session.

Ask participants to read Sections 5 and 6 of *Exploring the Linkages* (Making Hard Choices; Becoming Involved) for the next meeting.

Program 5
Making Hard Choices

Goals

After this program participants should be able to:

- name linkages of trade, development, and U.S. agriculture;
- describe key actors and some of their perspectives, especially on trade policies;
- suggest guidelines for agricultural trade policies;
- select next step(s) for involvement or action.

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5 minutes

1. Opening Activity

Large Group

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10 minutes

2. Naming Linkages

Small/Large Group

See page 8 for description of activity.

NOTE:

You will need to reproduce diagram "Trade Linkages" (page 9) for participants before the meeting.

OPTION:

Return to role-playing and actors and ask their views on the linkages listed. If participants enjoy role-playing, this exercise could be expanded. You may want to distinguish between the facts about a particular linkage and the feelings that an actor has about it. For example, there are facts about the value of wheat exported from North Dakota and the effects on farm income and international trade. A North Dakota wheat farmer will have particular feelings about this linkage.

20 minutes

3. Brainstorming Guidelines

3 Small Groups

a) Assign each group one subject: Third World development, U.S. agriculture and trade, agricultural trade.

b) Task:

- Each group should produce three rules or guidelines for policies on their subject. They may wish to refer to the actors and perspectives just discussed, and/or to questions posed on page 4 in *Exploring the Linkages*.

c) Process:

- Within each group brainstorm ideas freely, having someone record. Discuss, prioritize, edit. Choose presenter.

15 minutes

4. Sharing Guidelines

Large Group

a) Each group reports guidelines or rules, preferably written on pad, chalkboard or overhead projector for all to see. Clarify as needed.

b) Discuss the proposed guidelines and various possible outcomes. The guidelines could become the basis for further study or for action. If guidelines represent some consensus among participants, they could become criteria for judging policy proposals. Or, they may emerge as an expression of the breadth and diversity of the group.

10 minutes

5. Action and Involvement

Large Group

Using ideas suggested in Section 6 of *Exploring the Linkages*, or those suggested by participants, decide on a next step or series of steps. The next step should be doable within an agreed upon time frame, while expressing the group's values and long-term goals.

Suggested Readings

1. Gari Processing in Ghana†

Gari (processed cassava) is becoming increasingly popular in Ghana because of the shortage of many other food items and because, once prepared, it is easy to cook. But it is very time-consuming to prepare gari -- peeling and grating the fresh cassava, fermenting it over several days, squeezing the water from the fermented cassava and finally, roasting it over a wood fire.

To help village women in the Volta Region increase their income through gari processing, an improved technology was introduced with the help of the National Council on Women and Development. The process involves a special mechanical grater, a pressing machine to squeeze the water from the grated cassava and a large enamel pan for roasting. This pan holds 10 times the volume of the traditional cassava pot. The system was developed locally, with advice from the women themselves contributing to the success of the project.

Before the women produced 50 gari bags every week. Now they are able to produce 5,000 to 6,000 bags a week. However, this increased output of gari can only be maintained with a higher yield of cassava in the area. Therefore, a male cassava growers' association has been formed to step up cassava production, and a tractor has been acquired by the women's cooperative so as to put more land under cassava cultivation.

Adapted from *Blacksmith, Baker, Roofing Sheet Maker*[3]

† Gari, or processed cassava, is a bland tasting food served in a form like porridge.

2. Forest Protection in India

"The world's most acclaimed community forest movement, Chipko, shows how grassroots action to defend a resource can grow into far more. Born in the Garhwal hills of Uttar Pradesh, India, Chipko first drew fame for its sheer courage. In March, 1973, as a timber company headed for the woods above impoverished Gopeshwar village, desperate local men, women, and children rushed ahead of them to "chipko" (literally, "hug" or "cling to") the trees, daring the loggers to let the axes fall on their backs.

Since its initial success, the movement has deepened its ecological understanding, and, in the words of movement follower Vandana Shiva, "widened from embracing trees to embracing mountains and waters." In 1987, for example, activists formed a seven-month blockade at a limestone quarry that was recklessly destroying the ecosystem of an entire valley. Chipko has gone beyond resource protection to ecological management, restoration, and what members call "ecodevelopment." The women who first guarded trees from loggers now plant trees, build soil-retention walls, and prepare village forestry plans."

Worldwatch Paper #88[4]

3. The Peanut Connection

"The people around the village of Jalab, in Senegal, West Africa, and many rural towns of Georgia in the United States depend upon the same essential crop: peanuts . . . The story of their cultivation and marketing is the story of two very different worlds . . .

John Johnston, a Georgia peanut farmer, cultivates 540 acres of peanuts and another 650 acres of corn. His ground is prepared for planting by tractor . . . Pesticides are sprayed on Johnston's crop from airplanes. Combine harvesters pick the ripe plant and separate the peanuts for drying . . . Research, mechanization, efficient marketing, government price supports, and hard work enable Johnston to net as much as $100,000 from the peanuts in a good year.

In Senegal, Cherno Sar grows peanuts on his small farm near Jalab. Like Johnston, Sar inherited his land [which is] relatively good land for peanuts and he has begun to mechanize what was until recently a hand-picked harvest. But his plows are not as productive as Johnston's combines, while fertilizers and insecticides are either unavailable or too expensive. And his output must be sold to a government corporation that pays the farmer well below the world-market price . . . The small size of their farm, poor yields, low prices, and storage losses keep the Sar family very poor. Eight people must live on only $400 of cash income in a good year . . . Even though the Sars grow much of their own food, their diet is inadequate . . .

John Johnston is represented in Washington by a congressman who is responsive to his needs . . . [advocating] government price supports, agricultural research, and an extension system that have been so beneficial to farmers. Cherno Sar has little or no political influence. Although farm families make up most of Senegal's population, it is the minority urban dwellers who command most of the government's attention and resources. Sar is virtually helpless to influence the price the groundnut marketing corporation pays for his crops or what services the government provides him or his family.

Why do disparities like these exist? . . . What could be done about it, by Senegalese or Americans? And what is *likely to happen?*"

Adapted from "The Nguba Connection" in *Economics of Development*[5]

Suggested Scriptures

Genesis 25:29-34
Esau sells his birthright to Jacob. Are poor farmers or poor people obliged to give up precious rights to obtain food or to service debts?

Leviticus 25: 1-3, 10, 18-19, 23-24
Describes proper stewardship of the land which belongs to the Lord.

Psalms 72:1-7
Justice and prosperity shall be for the Lord's people.

Isaiah 56:12
Rejoice with all the natural world.

Matt 14: 15-21
Loaves and fishes - Should Christians today follow this example? In what way?

Luke 10:29-37
The Good Samaritan - How can one be a good Samaritan to developing nations?

Ephesians 2:14
Christ breaks down the walls between us.

James 3:17-18
God's wisdom, peace, and justice can order our lives.

1. Gary Comstock, ed., *Is There a Moral Obligation to Save the Family Farm?* Ames, IA: Iowa State University Press, 1987.

2. Charles Clements, *Witness to War: An American Doctor in El Salvador*. Bantam, 1984.

3. Marilyn Carr, *Blacksmith, Baker, Roofing Sheet Maker . . .* London: Intermediate Technology Publications, 1984.

4. Alan B. Durning, *Worldwatch Paper 88*. Washington, DC: Worldwatch Institute, January 1989.

5. Malcolm Gillis et al., *Economics of Development*. New York: Norton, 1983.

Exploring the Linkages study kits and the video,
Linkages: Your Role in the World's Food Connections
may be ordered from the Trade and Development Program,
802 Rhode Island Avenue, NE, Washington, DC 20018 / 202 269-0200.
Study kit: $5.00 plus $2.00 shipping; Single study booklet: $3.50 plus $1.50 shipping;
Video: $10.00 plus $2.00 shipping.

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Don Reeves, *Program Director*
Gretchen Hall, *Education Director*

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Exploring the Linkages

Trade Policies, Third World Development, & U.S. Agriculture

Country Profile — Fall, 1989

Costa Rica

Size: *19,700 sq. mi.*
Cropland: *.57 acres/person*
Population: *2.6 million, growing @ 2.3%/yr.*
Urban: *45%, growing @ 1.8%/yr. (1980-87)*
Calories/person/day: 1986—*2803;* (1965—*2366)*
Infant deaths under 1 yr: *18/1000 live births*
School enrollment/population of age group:
Primary—100% +; Secondary—42%
Income per person: *$1610 (1987)*
Growth rate, GDP (80–87): *1.8%; agric: 1.7%*
Sources: World Bank, World Resources Inst, USDA

Background

Slightly smaller than the state of West Virginia, Costa Rica is a tropical nation, bordered by Nicaragua and Panama and lapped by Caribbean and Pacific waters. Costa Rica is often called the "Switzerland of Central America" for its mountainous beauty. Half the people live on the central plateau where most of the cities and economic activity flourish. Independent since 1921, Costa Rica is an electoral democracy, known for military neutrality, social welfare programs, education, and steady economic growth.

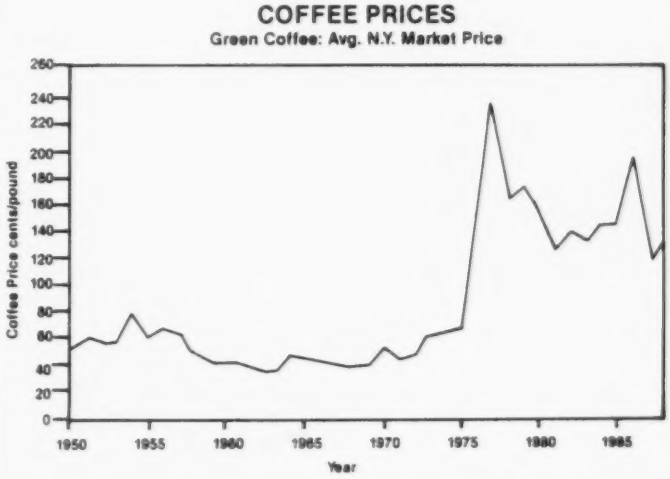
Until the 1980s Costa Rica was an economic success story, with annual growth rates close to six percent, with both agriculture and industry sharing in the growth. Moreover, benefits were widely distributed among the people, with excellent achievements in literacy, low infant mortality, nutrition, health care, and other measures of well-being. Many Costa Ricans became accustomed to a standard of living comparable to that in many industrialized nations. Costa Ricans also enjoy good roads, plus electrical, water, and sewer systems built by the government.

Agriculture plays a key role in Costa Rica: it employs one-third of the labor force and provides two-thirds of the total exports. Recent shifts into production of nontraditional export crops have somewhat reduced cultivation of corn and beans, the daily fare. This trend is aided by government promotion of agricultural diversification in an attempt to wean the country from its historic dependence on four primary exports: coffee, bananas, beef, and sugar.

Trade Links

Trade is essential to Costa Rica, a small country that does not produce everything its people need. Their market economy has a purchasing power comparable to a medium-sized U.S. city like Cleveland. The principal trading partner is the U.S., which imports bananas, coffee, beef, and other foods in exchange for medical supplies, agricultural inputs, and machinery.

Coffee has been Costa Rica's primary export — in 1988, coffee brought in 54 percent of export earnings. Coffee has shaped a way of life in Costa Rica: the small coffee grower is a national symbol, the school year fits the coffee cycle, vacations are taken during coffee harvest. In marked contrast to other Latin American coffee growing nations, Costa Rican production is based on small land holdings. The coffee producers are organized into cooperatives which process and market the beans. Grown on the mountainsides, coffee will undoubtedly remain a major export because Costa Rica has the right conditions to grow it profitably. Coffee yields in Costa Rica exceed those of any other coffee producing nation, thanks to climate and replacement of older trees with improved varieties.



From the U.S. point of view, Costa Rica has proved a reliable trading partner because of its stable government and economy. From the Costa Rican viewpoint, dependence on U.S. trade has made Costa Rica vulnerable to changes in U.S. policies and whims of U.S. politics. Heavy dependence on coffee exports leaves them vulnerable to shifts in coffee prices.

Winds of Change

The world economic scene changed for the worse in the early 1980s, largely because of U.S. policy decisions. Tight money, rising interest rates, and falling commodity prices — accompanied by recession — dealt the Costa Rican economy brutal blows. In a short space of time:

- several major banana plantations closed;
- world prices for beef, sugar, and later coffee, fell;
- external debt became difficult to service.

On a per capita basis, the Costa Rican debt is greater than most other Latin American nations. The debt was acquired in the 1970s when international loans were readily available to finance industrial expansion, agricultural investments, and social services.

This dire economic plight has pressured the government to make many changes: adjusting the value of money in an effort to reduce inflation, attract investments, and increase exports. Social welfare programs have been curtailed. In agriculture, the government has had to cut back on credit, insurance, and subsidies to farmers.

Hurt by lower prices, producers of corn and beans — usually the poorest farmers — have organized in protest. This protest is but one indication of a possible food crisis. Ten years ago Costa Rica was self-sufficient in basic foodstuffs, and a net exporter of agricultural products. In 1988 corn and rice imports cost $20 million; grain production continues to drop, although total cropland has increased slightly.

Another casualty of the 1980s in Costa Rica is the environment. Forests that covered half the country in 1970 were reduced to only 31 percent of the land by 1987. The loss of tropical rainforest means increased drought along with the disappearance of remarkable biological diversity. The three main causes of deforestation are increased logging (often illegal), conversion of forest to cropland or pasture, and peasants seeking more land to cultivate.

Development Decisions

Historically, Costa Rica has encouraged agricultural development through a variety of measures. Support for research institutions, subsidized inputs, low interest loans, and price guarantees all focused on the farm sector. In the 1970s these activities were financed chiefly by rapidly growing foreign aid and loans, with both positive and negative results. When rice farmers with large operations took out agricultural loans to increase production, much of the money was siphoned off to foreign bank accounts. Rice production increased dramatically, but the spurt was short-lived. Similarly, loans and other incentives encouraged the doubling of pasture land for cattle, often at a terrible environmental cost. Further, the cyclical market for beef limited profits to investors.

In the mid-1980s a new policy made its debut: "Agriculture of Change," emphasizing cultivation for export of non-traditional crops — cocoa, macadamia nuts, pineapple, and flowers. Incentives to produce these crops, such as tax breaks and loans, are used by people able to seize the economic opportunity and afford the risk. With favorable policies and markets plus suitable growing conditions, the new crops have flourished, surging from zero to nine percent of all agricultural exports in five years. However, with scarce resources dedicated to these export crops, fewer resources are available for poor farmers producing food for local consumption. Some critics believe that the expansion of non-traditional crops has led to more landless peasants. Others point out that cocoa is an unwise choice for a new crop as cocoa prices have plummeted in recent years, leaving cocoa-producing nations such as Cote d'Ivoire and Ghana in difficulty.

The challenge for Costa Rica will be to find ways to sustain growth and protect the environment while continuing its tradition of social justice policies. Agriculture and trade will play a major role in that future.

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Exploring the Linkages

Trade Policies, Third World Development, & U.S. Agriculture

Country Profile — Fall, 1989

Cote d'Ivoire

Size: *124,292 sq.mi.*
Cropland: *1.04 acres/person*
Population: *11.1 million, growing @ 4.2%/yr.*
Urban: *44%, growing @ 6.9%/yr. (1980-87)*
Calories/person/day: 1986–*2562;* (1965–*2360)*
Infant deaths under 1 yr: *96/1000 live births*
School enrollment/population of age group:
Primary–78%; Secondary–20%
Income per person: *$740 (1987)*
Growth rate, GDP (80–87): *2.2%; agric: 1.6%*
Sources: World Bank; World Resources Inst; USDA

Background

Lush rain forests, heavy with vegetation spawned by a six-month rainy season, spill down to lagoons along its Atlantic coast. The West African coastline becomes rocky cliffs farther west where the borders of Cote d'Ivoire and Liberia meet. To the north, diamonds occasionally gleam from the gravel near Korhogo. The equatorial climate of Cote d'Ivoire is well-suited to support the agrarian-based economy in a nation about the size of New Mexico.

Cote d'Ivoire is often cited as the most stable nation among former French colonies in West Africa. Since independence in 1960, President Felix Houphouet-Boigny has maintained firm control over the government and the nation's sole political party. After more than a quarter century, political uncertainty lies ahead since the 80 year old president has not named a successor.

The People of Cote d'Ivoire

Cote d'Ivoire's rate of population growth is among the highest in the world (4.2 percent per year), even though its infant mortality rate is very high. Immigration from less prosperous neighboring countries, Burkina Faso and Mali, has accounted for much of the surge in population. The diversity of the nation's people can be seen in the faces in its largest city, Abidjan, and heard in 60 different dialects throughout the country. French is the official language, and the nation has declared that it is no longer to be known as the Ivory Coast, but by its French name, Cote d'Ivoire.

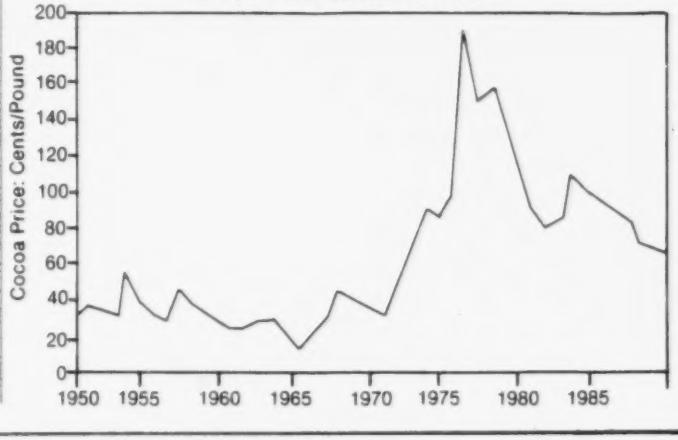
The diversity of Ivorian population is also reflected in the nation's religious makeup. About 65 percent of the people follow traditional beliefs; 23 percent are Muslims; and 12 percent are Christians, mainly Roman Catholic. Despite the government's commitment to free and compulsory public education, adult illiteracy remains at about 57 percent, according to UNESCO estimates.

The people of Cote d'Ivoire depend on the land for their livelihood with much of the farming — especially cocoa — done on small, family-owned plantations. This dependence on agriculture, which employs 60 percent of the labor force, means that fluctuating prices for cocoa have an almost immediate effect on many people. Unlike its eastern neighbor, Ghana, Cote d'Ivoire has not felt the direct effects of the Sahelian drought. Rainfall is generally plentiful, especially in the southeast, the location of the cocoa belt.

Agricultural Exports

Agriculture in the Cote d'Ivoire is hostage to the world commodity markets. Accounting for about one-third of the gross domestic product (GDP), agriculture is linked to export markets as Cote d'Ivoire is the largest producer of cocoa in the world and the fourth largest coffee grower. This has worked both to the advantage and disadvantage of the financial well-being of the country and its people. From 1976 until 1985 high prices for

COCOA PRICES, 1950–1989
New York Cocoa Bean Prices



cocoa and sometimes for coffee propelled Cote d'Ivoire's economy forward and made it one of the more stable in sub-Saharan Africa.

Fluctuating coffee prices and plummeting cocoa prices hit the economy of Cote d'Ivoire in the late 1980s. The government's response was to impose an embargo on cocoa sales in an attempt to improve world prices. This policy of stockpiling cocoa backfired, temporarily reducing Cote d'Ivoire's share of the world market. Government policy is to maintain prices to growers, but it has been unable to make full payments to the farmers. The government would like to expand coffee production but is unable to finance such a program.

Recognizing the need to reduce reliance on these two export crops, the government has sought diversification by the introduction of oil-producing palm trees. A series of planting programs begun in the mid-1970s has resulted in modest production and growing export of palm oil. However, this puts Cote d'Ivoire in direct competition with Malaysia and Indonesia, the major palm oil exporters. In addition, Indonesia produces coffee (50% more than Cote d'Ivoire) and cocoa (8% of Cote d'Ivoire's crop).

Food Production

Partly in response to financial reforms related to debt servicing, Cote d'Ivoire has increased emphasis on food crop production in recent years. Some farmers in the cocoa belt are turning to food production — corn plus limited rice and tuber growing. Larger plantings plus good rainfall have led to larger supplies of corn, eggplant, rice, tomato, okra, pimento and gourd crops for local consumption in the last two years. In 1988, Cote d'Ivoire reduced rice imports due to a successful crop, but corn imports from the U.S. rose, even with a larger local crop.

Livestock production lags far behind demand on Cote d'Ivoire, which imports about two-thirds of its meat. Importers have found a market for lower-priced frozen meats. Poultry production efforts have not been very successful; losses have forced 50 percent of the poultry farms in the nation to shut down.

Cote d'Ivoire has a potential food supply in the gulf which forms its southern border. Abidjan is the largest tuna fishing port in Africa, but it has been of little benefit to the Ivorian economy or consumers. Most of the catch is made by foreign ships and merely transits through the port. Cote d'Ivoire's entire fishing fleet numbers only about 40 vessels. Yet even with meat, fish, dairy, and wheat imports, the country is largely self-sufficient in food production.

Foreign Debt

Despite problems with falling commodity prices, the economy of Cote d'Ivoire is in better condition than other sub-Saharan nations. Foreign investment has lifted the nation into the middle-income category of developing countries. Industries include processing plants for commodities as well as textile and wood products. But the economy does have a vulnerable underbelly: debt.

In the 1970s Cote d'Ivoire, like many countries, found the climate favorable for foreign borrowing. Because of its stability, Cote d'Ivoire was encouraged to undertake ambitious investment programs. But with the oil crisis, world-wide recession, and falling commodity prices, the country found itself mired in debt. Cote d'Ivoire's economic growth, once the highest in Africa, slowed drastically. The public sector deficit widened and in 1987 the government called a moratorium on its external debt payments.

To cope with the crisis, the government and its lenders, the International Monetary Fund and commercial banks, instituted an austerity program in conjunction with rescheduling its debt payments. Cuts in human services, decreased buying power for consumers, and other negative effects are felt immediately, but benefits from an austerity program will be longer in showing, while positive results of the economic reforms are not yet apparent. The economic reform programs come on top of unequal distribution of income, with the wealthiest 20% of the people receiving half the total income, compared to just 5% of total income for the poorest 20%.

The decade of the 1980s has been particularly trying for Cote d'Ivoire. It faces several internal policy choices as the next decade begins: how to garner resources to improve health care and education; choosing new national leadership; the relative emphasis on agriculture versus other aspects of development. These decisions are complicated by several international factors beyond its control: relief from its debt burden, the price of cocoa and its other exports, and the state of the world's economy.

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Exploring the Linkages

Trade Policies, Third World Development, & U.S. Agriculture

Country Profile — Winter, 1990

Ghana

Size: 92,254 *sq.mi.*
Cropland: *.52 acres/person*
Population: *13.6 million, growing @ 3.4%/yr.*
Urban: *32%, growing @ 4.1%/yr. (1980-87)*
Calories/person/day: 1986 - *1759;* (1965 - *1950*)
Infant deaths under 1 yr: *90/1000 live births*
School enrollment/population of age group:
Primary - 63%; Secondary - 35%
Income per person: *$390 (1987)*
Growth rate, GDP (80-87): *1.4%;* Agric: *0.0%*
Sources: World Bank; World Resources Inst; USDA

The Beginnings

In 1957 the Republic of Ghana became the first black African state to trade colonial ties with Great Britain for independence. Named for a flourishing medieval empire in western Africa, the nation carried a proud heritage and many advantages. Among these advantages was stable agricultural production dominated by small peasant farmers, not plantations. With fertile land and adequate rainfall both food crops and export crops were produced. Boasting one of the highest per person income figures in Africa with a fairly equitable distribution, most Ghanaians in 1957 enjoyed an adequate standard of well-being. Their charismatic leader, Kwame Nkrumah, epitomized their confidence in the future.

About the size of Wyoming, Ghana has distinct agricultural regions. The moist, tropical South produces all the cocoa as well as staples -- corn, rice, yams, plantains, and cassava. The drier plains of the North constitute 40 percent of the country but provide homes for only 20 percent of the people. Farmers in the North grow food crops -- yams, cassava, millet, and corn.

A Downward Spiral

In its early years Ghana enjoyed economic growth and increasing food production. Leaders adopted policies to push industrial development which they hoped to finance by agricultural exports and loans from abroad. Cocoa was the primary export crop and Ghana was the world's leading producer with the best quality beans. Because of extensive plantings in the 1950s and high world prices, cocoa exports were profitable for the young nation.

During the 1960s the small farmers who produced food were neglected by the new agricultural bureaucracies which encouraged large-scale state or cooperative farms for rice, dependent on mechanical farming techniques. These farming methods required costly imports yet did not increase food production. With rising incomes many Ghanaians sought to improve their diets, causing food prices to rise. Since most of the profit from cocoa went to the government, not the producers, some of them switched to growing food.

By the 1970s the consequences of muddled policy choices for agriculture became apparent. Cocoa crops suffered from fewer workers, aging and less productive trees, and abandoned farms. Northern food growing farmers departed to work on southern cocoa farms or in oil-related jobs in nearby Nigeria -- increasing the Ghanaian labor shortage but reducing the demand for food.

With government neglect and fewer acres under cultivation, food production dropped disastrously through the 1970s. Total cereal output fell an average of 3.4 percent per year. Cassava and yams, tubers which provide nearly half of people's daily calorie intake, declined even more. The migration of men out of rural areas and often out of the nation left more women as the food producers. Overworked women apparently shifted from more labor-intensive yams to cassava, even though cassava is less tasty and takes longer to prepare.

Production of another staple, plantain, dropped over 8 percent per year. This starchy relative of bananas is frequently intercropped with cocoa to protect the trees from tropical sunshine. As cocoa farms were neglected or abandoned, plantain crops also declined. Like agriculture, other parts of the economy faltered. International borrowing continued while industrialization lagged. Inflation ballooned. Ineffective price controls, smuggling, and corruption flourished. Political instability became the watchword after Nkrumah's downfall in 1966.

Food Crisis

With an economy in total disarray, Ghana had little to celebrate at the twenty-fifth anniversary of independence in 1982. Long-term agricultural decline led to increased food imports, incomes shrank, exports declined, and two years of drought inflicted the worst damage in living memory. Between 1980 and 1983 the gross national product (GNP) fell 13 percent. World-wide recession affected Ghana too, as did the return of one million Ghanaians who were expelled from Nigeria as oil prices fell and oil-related jobs vanished.

Neglected by policy makers and short of workers, cocoa farms were devastated by the drought and accompanying brush fires. By 1983-84 the cocoa farmers' real income had dropped 90 percent from 1970. The incomes of food producers also dropped, but probably not as much as that of city wage earners. With a considerably lower cost of living in rural areas, the farmer or farm worker was in a relatively better position.

With only 70 percent of its food requirements available, how did Ghana avoid famine? The majority of the labor force was already in agriculture, and they were joined by city dwellers and others in growing food for subsistence. Strong extended families also proved a mechanism for sharing and redistributing food. In spite of these coping mechanisms, malnutrition rose sharply and was particularly noticeable among children.

Recovery and Beyond

Recognizing the need for serious changes, Ghanaian leaders initiated a three-year economic recovery plan in 1983. They negotiated the plan and critical funding with their international lenders, coming up with a compromise. In agriculture they sought to restore cocoa farming by tripling prices to producers and assisting with insecticides and equipment. Cash incentives were offered for replanting trees. Foreign assistance was obtained to improve badly neglected roads for farm to market transportation.

Encouragement of non-traditional export crops has been another part of economic recovery. Fish, pineapple, fruits, and salt plus furniture manufacture are among the new enterprises. Many barriers -- credit, marketing, packaging -- must be overcome for these products to become significant exports. Manganese, diamond, and bauxite mines have been modernized and updated to increase mineral export.

Food self-reliance efforts have shown slow progress with food imports -- mostly wheat -- now stabilized. The government has promoted reclaiming abandoned farmland, although this seems to have led to fewer, larger farms. Grain storage facilities are being added to level out supply. However, low yields of food crops persist because farmers are generally unable to borrow or to purchase adequate seeds or tools or fertilizer.

In its economic recovery program the government devalued the currency, reduced its employment rosters, and attacked inflation. At the same time Ghana successfully increased new capital investments in both agriculture and industry. In turn, export earnings doubled between 1983 and 1988; government revenues have also risen. However, this policy direction has left few resources to assist small-scale food producers.

Ghana's long-term prospects are uncertain, marred particularly by the heavy external debt and the low world prices for cocoa. Ghana's debt stands at $3.3 billion which means that scheduled payments equal one-fifth of export earnings. Yet cocoa, a major source of export earnings, is presently at the lowest real price in half a century with little hope for improvement in the short term. Inflation, which most hurts poor people, hovers at 20 percent, while health care, education, and unemployment all cry for attention and money. Many observers believe that cancellation of external debts is essential if Ghana is to care adequately for its people.

Ghana has tried to sponsor and encourage programs to offset the social costs of economic adjustment. Emphasizing small-scale, community efforts, these programs address basic needs such as hand-dug wells, roads, schools, or clinics. Credit for small-scale farmers is an element of community development, limited like other programs by lack of funds. Whether these courageous efforts - large and small - will spell a better future for Ghana remains to be seen.

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Exploring the Linkages

Trade Policies, Third World Development, & U.S. Agriculture

Country Profile — Winter, 1990

Indonesia

Size: *735,330 sq.mi.*
Land in farming: *.32 acres/person*
Population: *171.4 million, growing @ 2.1%/yr.*
Urban: *27%, growing @ 5.0%/yr. (1980-87)*
Calories/person/day: 1986 - *2579;*(1965 - *1800)*
Infant deaths under 1 yr: *71/1000 live births*
School enrollment/population of age group:
Primary - 100+%; Secondary - 41%
Income per person: *$450 (1987)*
Growth rate, GDP (80-87): *3.6%;* Agric. *3.0%*
Sources: World Bank; World Resources Inst; USDA

Background

Like tiny jewels in the sea, the more than 13,000 islands comprising the Republic of Indonesia are sprinkled across the equator in the southern Pacific. From near Malaysia on the west to part of New Guinea on the east, Indonesia stretches about 3200 miles, similar to the distance from Boston to San Francisco. The Philippines are a northern neighbor and Australia lies to the south.

Volcanic mountains, including the famous Krakatoa volcano, jut forth along the archipelago. One gift of the volcanoes is the fertile soil which, along with generous rainfall, produces crops for consumption at home and for export. The climate is hot and rainy with little temperature change during the year.

Independent since 1949, Indonesia has a constitution which gives much governing power to the president who is elected by and reports to the assembly. Citizens exercise the right to vote but political opposition is severely restricted. Since 1967 President Suharto has brought political and economic stability to the nation in a regime called by some a benign dictatorship.

The People of Indonesia

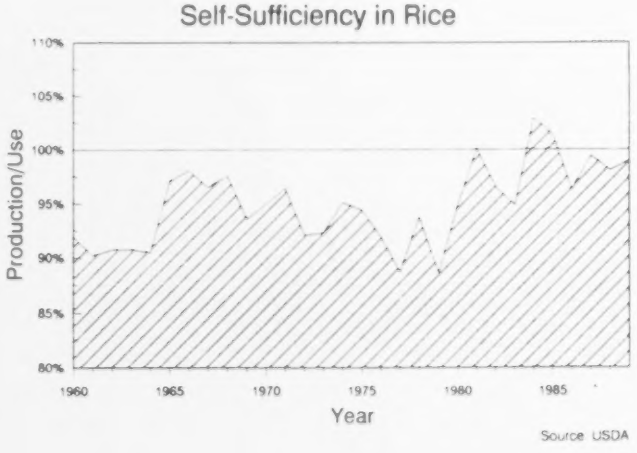
Indonesia is the world's fifth most populous nation. Historically related to the Malay peoples of Southeast Asia, its people are religiously and ethnically diverse. Roughly 90 percent of the people are Muslims and 5 percent Christians. As a result of policy decisions, population growth has slowed in the 1980s, but cities have grown explosively and suffer many urban problems.

The bulk of Indonesian citizens today are young -- about half are age 15 or under. In economic terms this means that approximately two million jobs must be created each year for this flood of new workers. Not surprisingly, unemployment and underemployment are serious problems facing the nation, now and for the future. Despite efforts of the government to persuade citizens to resettle elsewhere, a majority of Indonesians live on the island of Java, creating severe overcrowding.

Food Crops

Three out of every four Indonesians live in rural areas; most are farmers. Agriculture accounts for about 25 percent of Indonesia's gross domestic product (GDP). Rice, the most important food crop, is produced principally on small farms along with cassava, coconuts, corn, peanuts, squash, and sweet potatoes. Some farmers grow rubber or rice as a cash crop.

Rice production is a success story in Indonesia -- the result of national determination to become self-sufficient



in this basic grain. As recently as 1980, Indonesia imported two million metric tons of rice; after the 1984 harvest Indonesia could feed itself. About 70 percent of the rice is irrigated, and the high-yielding varieties of rice now prevalent in Indonesia require fertilizer and pesticides. Helped by substantial subsidies, farmers have greatly increased their use of these chemicals over the past two decades. Recently however, subsidies for fertilizers and pesticides have been channeled toward less toxic chemicals.

Increases in corn production have been limited by diseases, fluctuating prices, and lack of government support. Farmers have been slow to adopt hybrid or improved varieties which yield more but cost more to grow. Soybean products are used widely in the Indonesian diet -- for tofu, tempe, soy sauce, and cooking oil. Since domestic production does not meet the demand soybean imports have increased -- a help to U.S. soybean growers since 15 - 45 percent of the imports are from the U.S. Wheat imports have also expanded as urban people eat more noodles and other wheat products.

Export Crops

Large plantations, using one-third of the cultivated area, produce several export crops: palm oil, rubber, tobacco, sugar, tea, and coffee. As a major producer of palm oil, Indonesia competes in the international market not only with other palm oil producers like Malaysia, but also with nations producing oils from other plants such as soybeans and corn. Palm oil has both edible and industrial uses.

As the third largest coffee producer (after Brazil and Colombia), Indonesia is keen to increase the yield and quality of its coffee. Most of the beans are produced by small landholders who cultivate one to two acres. These farmers cannot generally afford needed fertilizers and pesticides -- especially without credit. Extension programs are targeted to assist these small growers. Efforts are also being made to improve the drying and handling of the beans after harvest.

The number of acres planted to cocoa more than doubled between 1982 and 1988. As these trees reach bearing age cocoa bean exports will increase, hopefully when prices are not at their present fifty-year low. Indonesia, however, boasts relatively low costs of production for its plantation-grown cocoa.

Tropical rain forests dominate many of the islands, interspersed with rice paddies and plantation crops. Indonesia, like Malaysia, Brazil, and Costa Rica, faces a problem of deforestation. In some cases forests are being cleared as part of a government plan to provide plots for landless farmers. In other cases forests are depleted because of wood gathered for fuel or because the ebony, teak, and other woods are valued as exports. The government sponsors replanting programs but to date these do not offset deforestation.

The Larger Economy

Oil and gas have been a significant part of the Indonesian economy, providing 70 percent of government income during the 1970s. Faced with falling oil prices in the 1980s, the nation has moved away from dependence on oil revenues. With belt-tightening and struggle, Indonesia has modified its plans and strategies to promote economic growth.

In recent years budgets, plans, and reform measures have emphasized competitiveness in the international market and privatization in the domestic economy. Rules for foreign investment, shipping restrictions, licensing regulations, and tariff and non-tariff barriers have been relaxed to encourage international investment and trade. A number of state enterprises have been converted to private ownership.

Manufacturing is slowly becoming more significant in the economy. Processing agricultural products accounts for much of the manufacturing -- textiles, oil, rubber goods. Assembly of autos, trucks, and other products is also increasing in importance.

While Indonesia is not classified as a "highly indebted" nation, the external debt is around $53 billion. The annual cost to service the debt is $5 billion, equal to 28 percent of all export revenues. In the case of Indonesia, the debt and the accompanying economic reforms have resulted from their own series of choices in the development process. With the determination demonstrated in agricultural and economic development over the past two decades, Indonesia seems likely to prosper in the 1990s.

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Exploring the Linkages

Trade Policies, Third World Development, & U.S. Agriculture

Country Profile | Winter, 1990

Malaysia

Size: 127,380 *sq.mi.*
Land in farming: *.69 acres/person*
Population: *16.5 million, growing @ 2.7%/yr.*
Urban: *40%, growing @ 5.0%/yr. (1980-87)*
Calories/person/day: 1986 - *2730;* (1965 - *2247)*
Infant deaths under 1 yr: *24/1000 live births*
School enrollment/population of age group:
Primary - 100+%; Secondary - 54%
Income per person: *$1810 (1987)*
Growth rate, GDP (80-87): 4.5%; Agric. *3.4%*
Sources: World Bank; World Resources Inst; USDA

Background

Malaysia is a southeast Asia nation of two parts separated by the South China Sea. Western or peninsular Malaysia is at the tip of the Malay peninsula and is home to 84 percent of the total population. East Malaysia, or Sabah - Sarawak, shares with Indonesia the island of Borneo, an island of dense rain forests with short rivers plus a mountainous area which divides the two nations.

The Portuguese, Dutch, and British took turns controlling Malaysia, leaving the country with an ethnically mixed population as part of the colonial heritage. The British, who departed in 1957, had earlier recruited thousands of Chinese workers to mine tin and Indian laborers to work on rubber plantations. What was once a land of Muslim Malays became a multi-racial and multi-religious society.

The indigenous Malays are presently a slight majority of the population. These are the rice paddy farmers who are closely tied to the ruling political party and who benefit from its preferential policies. As a group they are the least well-to-do. The substantial Chinese minority, which comprises 36 percent of the population, dominates the economy and the urban areas. Not surprisingly, relationships between the ethnic groups are sometimes tense.

Economic Plans and Policies

Malaysia has developed a mixed economy -- open to private sector investment which has tripled since 1987 -- yet guided by government policies in specific realms. Major trading partners are Japan, U.S., EC, and ASEAN nations which together account for three-fourths of Malaysia's trade. The manufacturing sector provides 48 percent of current exports, most notably rubber goods and electronic components. Primary commodities including oil were the dominant exports ten years ago but have become less important in earning foreign exchange.

The present economic plan was formulated in 1970 and will be replaced by a new plan shortly. One of the main thrusts of the 1970 plan was eradication of poverty which has been reduced over the two decades, though exceptions remain. The wages of rubber workers in rural areas have been undercut by a labor policy which allows the importation of "guest workers" from Indonesia.

Early in the 1980s the world demand for rubber plummeted, leading to falling prices and, for Malaysia, lower export receipts. Just at that point, the AIDS epidemic in other parts of the world affected Malaysia's economy. As the leading producer of rubber, Malaysia responded to the demand for surgical gloves from western nations. This has led to a major increase in the manufacture of basic rubber products, one factor in recent economic growth.

Agriculture

Agricultural and forest products make up 36 percent of the country's total exports, with wood and wood products first (14% of exports). These are shipped chiefly to Japan, Singapore, and Europe -- and have been criticized by environmentalists because of the incursions on the rain forests resulting from timbering. Efforts are now being made at reforestation, although these measures do not

address the needs of poor farmers for land to cultivate, nor those of tribal forest dwellers whose whole way of life is threatened. The struggle has been especially fierce in Sarawak where forest residents disrupted logging with non-violent protests only to have the state government make these actions punishable by prison and heavy fines.

Rubber is grown on large estates and by small land holders. In peninsular Malaysia thirty years ago smallholders produced about 41 percent of the rubber; today they produce over 60 percent. In part this increase is attributed to the conversion of rubber plantations to palm oil. Many of the small holders are poor because of their minuscule land plots, a result of inheritance laws which divide holdings among all sons.

Small farmers have the same rate of productivity for rubber as the large estates even though government agricultural and tax policies favor the estates and discriminate against smallholders. Since rubber is an export crop, incomes of smallholders and plantation workers are closely tied to fluctuating world prices. The Malaysian government has not adopted policies which would stabilize, or make less vulnerable, the incomes of these people.

Profits from Palm Oil

Malaysia is the world's largest producer and exporter of palm oil, a tropical oil for industrial as well as edible uses. Malaysia has all the necessary elements for palm oil: suitable climate and soils, available land and labor, a rubber plantation system which could be converted to palm oil, and new technologies to help in the production and processing of the oil. Started in 1960, palm oil production has expanded with continued research which is widely disseminated and used, careful management of private estates organized under government aegis, and good infrastructure and effective marketing.

In the U.S. producers of competing oils, especially from soybeans, decry the cholesterol content of palm oil. Efforts to introduce the issue into both the GATT negotiations and the U.S. Congress have heated up the controversy. Ironically, U.S. soybean farmers can feel pleased that Malaysian imports of soybean products, particularly feedstuffs, have increased over recent years.

Emphasis on cocoa production has lifted Malaysia to number four position in the world. Costs of production have remained low, due partly to inter-planting cocoa with oil and coconut palms, and partly to use of new technologies.

Rice, the Basic Food

Rice is the staple of the Malaysian diet and a target of agricultural policy since independence in 1957. Overall, Malaysia has sought to increase rice production and improve the well-being of rice farmers. To achieve these long-term goals the country invested in irrigation and drainage programs in the 1960s to enable farmers to grow double crops annually. Between the mid-1950s and mid-1970s the rice crop was doubled and imports cut in half.

Incentives for paddy farmers have been consistently important even though strategies have varied through the years. Improved seeds, fertilizer, and dissemination of research were critical factors in increasing rice production. The Padi and Rice Marketing Board handles the pricing, purchasing, and selling of rice with a major concern for having an adequate supply at reasonable prices for consumers. Since Malaysia is not self-sufficient in rice, world prices affect their economy.

As Malaysians have improved their diets, more meat and dairy products have been imported as well. It seems likely that Malaysians will expand both poultry and shrimp production to meet protein demand in the next few years. The growing popularity of bakery products in this urbanizing society has led to increased wheat imports. In short, Malaysia seems poised to buy growing amounts of feedstuffs and food grains in the coming years.

In measures of well-being -- health care, primary education, nutrition -- Malaysia has a good record. Since Malaysia has a manageable international debt, social programs have not been sacrificed for other necessities. In short, the future looks very hopeful for a nation which has adapted well to changing circumstances.

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Exploring the Linkages

Trade Policies, Third World Development, & U.S. Agriculture

Country Profile — Winter, 1990

Brazil

Size: 3,285,632 *sq.mi.*
Cropland: *1.38 acres/person*
Population: *141.4. million, growing @ 2.2%/yr.*
Urban: *75%, growing @ 3.7%/yr. (1980-87)*
Calories person/day: 1986 - *2656;* (1965 - *2402*)
Infant deaths under 1 yr: *63/1000 live births*
School enrollment/population of age group:
Primary - 100%+; Secondary - 71%
Income per person: *$2020 (1987)*
Growth rate, GDP (80-87): *3.3%;* agric: *2.6%*
Sources: World Bank; World Resources Inst; USDA

Background

The Federative Republic of Brazil occupies almost half of South America and has the world's sixth largest population. From the foothills of the Andes Mountains, it stretches eastward almost 2,700 miles to the Atlantic Ocean, through hills, rain forests, and arid scrubland. Starting with the forced immigration of African slaves under Portuguese colonial rule, successive waves of immigration have resulted in a diverse population.

Despite great expanses, only 29 percent of the land is suited for agriculture. Much of the fertile land lies in the south, where the Brazilian agricultural and industrial sectors are concentrated. The city of São Paulo, predicted to be the second largest city in the world by the year 2000, manufactures products ranging from cars to computers. Of the country's rural population, about 24 percent are landless laborers, generally considered to be the poorest of Brazil's substantial numbers of poor. Brazil has one of the most unequal distributions of income in the world, and the country's return to democracy in 1985 has increased popular pressure on the government for social reform.

Food and Agriculture

The post World War II period in Brazil brought industrialization, diversification of exports, and the shrinking of agriculture as a percent of the total economy. These developments have reduced an earlier pattern of economic boom and bust linked to agriculture, though agriculture continues to be an important source of export earnings, bringing in 30 - 40 percent of foreign exchange. The leading export crop is soybeans, followed by orange juice and coffee. In soybeans, Brazil is the chief competitor to the U.S.; the U.S. exports substantially more beans, but Brazil exports more processed soybean meal. Other major agricultural exports include cotton, sugar, rubber, cocoa, and nuts. For most Brazilian exports, the U.S. is a major trading partner.

While Brazil is among the top four exporters of sugar, two-thirds of harvested sugarcane goes to domestic production of ethanol. Brazil during the 1970s developed the largest ethanol program in the world, and even began to export small amounts to the U.S.. Given the drop in oil prices and the current high cost of the program, the government has attempted to cut back on production of both ethanol and ethanol-run cars. But as Brazil must service its existing ethanol and gasohol-run automobiles, observers speculate that Brazil might import ethanol from the U.S. or EC for its short term domestic needs.

Brazil is self-sufficient in food, except for wheat and occasionally corn or rice. The government both promotes self-sufficiency in wheat and subsidizes wheat to consumers in an effort to keep urban food prices low. Increased production has led to a decline in wheat imports from the U.S., but this gain is partially offset by increased consumption. The subsidization program has worked to the relative disadvantage of producers of traditional food crops -- beans, corn and manioc -- although these farmers have received more attention since 1985. The basic tool of government support for both food and export crops has been the provision of credit.

The Land Question

Brazil's agricultural profile ranges from modern and mechanized soybean farms, to large sugar estates employing agricultural laborers, to small holders growing subsistance food crops. In 1985 the new civilian government promised land reform as part of a renewed

emphasis on food crops and small farmers. In many cases, large land holders in Brazil have been shown to use land, labor, and capital less intensively than small holders. Overuse by smallholders, conversely, has contributed to environmental problems and pressures to gain additional access to land.

In practice, the land reform program has not met many of its objectives. One limitation rests in the original conception that only "unproductive" land would be redistributed. In an effort to make all their land "productive", larger farmers have spread their limited capital thin and increased under-utilization of land.

The Amazon Controversy

Half of Brazil is blanketed by forests, with the world's largest rain forest located in the Amazon basin -- a unique environment for a wide variety of tropical animals and plants. Timber, mineral deposits, and river networks are potential sources of wealth and energy for public and private enterprise. For the indigenous peoples, rubber tappers, and others who draw upon the region's renewable resources, the forest contributes to their cultural and economic survival.

National and international conflict concerning the rain forest has escalated in the past 20 years. Tax policies under Brazil's military regime ushered in a period of land speculation by Brazilian and foreign entrepreneurs, and encouraged the expansion of farm and pasture lands into remote, wooded areas. Local people who had used the land without legal title were evicted. Exploitation of timber and mineral resources increased, often with severe environmental consequences. The thin soil of the Amazon quickly erodes and becomes unproductive once cleared, while mining has sometimes resulted in dangerous pollution.

In the face of increasing protest that these policies are neither equitable nor sustainable in the long term, the Sarney government made some concessions. In 1989 it recognized the demands of indigenous peoples and rubber tappers for user rights over certain commonly held areas. Tax credits for land expansion were suspended and exports of raw timber prohibited, but enforcement measures remain difficult and expensive.

Economic Problems and Prospects

Despite anti-inflation efforts, Brazil's 934 percent inflation rate in 1988 set an all-time record. Persistent inflation is due in large part to budget deficits, but is also indirectly linked to Brazil's external debt burden.

Brazil borrowed heavily for the industrial development of the 1960s and 70s. The volume of foreign borrowing, a sharp upturn in interest rates in the early 1980s and a simultaneous drop in commodity prices combined to make Brazil the world's leading debtor nation among developing countries.

Brazil's foreign debt now stands at $110 billion, of which one-fourth is owed to U.S. banks. Rescheduling of payback has provided minimal relief, but debt remains a major obstacle to economic recovery. In 1988 Brazil resumed all debt service payments but recently suspended interest payments on medium- and short-term debt; how and when it will be able to meet those obligations with faltering economic growth is uncertain. Brazilian exports rose during the 1980s, but debt servicing swallowed up 33 percent of those earnings.

Recent statistics indicate that since the debt crisis hit in 1982, Brazil's infant mortality rate has been rising, and the calories consumed by the average person have dropped. Poor people are squeezed by inflation, while wealthier Brazilians attempt to avoid it by not using the local currency or by investing their savings abroad. Capital flight was estimated at $12 billion for 1989.

Although Brazilian agriculture has survived surprisingly well given the country's economic troubles, it too is affected. Low cocoa and coffee prices on the world market caused cutbacks in use of inputs and a drop in production. Without the resources to spend, the government is hard-pressed to enforce new environmental laws, compensate for land redistribution, provide credit for farmers, or social services for all citizens.

Brazilian elections were held in December 1989, and much will depend on the ability of the newly elected government to create sound internal development policies and negotiate with its creditors. Unless inflation and the debt burden are reduced, economic growth remains unlikely; without some attention given to structural inequalities, Brazil will be democratic only in name.

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Exploring the Linkages

Trade Policies, Third World Development, & U.S. Agriculture

Country Profile | Winter, 1990

Kenya

Size: 224,960 *sq.mi.*
Cropland: *.28 acres/person*
Population: *22 million, growing @ 3.9%/yr.*
Urban: *22%, growing @ 8.6%/yr. (1980-87)*
Calories person/day: 1986 - *2,060;* (1965 - *2,289*)
Infant deaths under 1 yr: *72/1000 live births*
School enrollment/population of age group:
Primary - 94%; Secondary - 20%
Income per person: *$330 (1987)*
Growth rate, GDP (80-87): *3.8%;* agric: *3.4%*
Sources: World Bank; World Resources Inst; USDA

Background

Prides of lions roaming the southeastern Serengeti plains are not the only Kenya, although perhaps this image first jumps to Western minds. In the arid north, where visitors rarely go, nomadic tribes eke out an existence in a seemingly desolate land. Further south, Mt. Kenya rises in solitary splendor, casting its shadow across the surrounding farmland.

Slightly smaller than the state of Texas, Kenya borders Somalia to the Northeast, Ethiopia to the North, Uganda to the West, and Tanzania to the South. Its eastern coastline on the Indian Ocean has been the traditional center for commerce, and the warm temperatures and attractive beaches have aided the creation of a tourist resort at the southern port of Mombasa. Approximately 85 percent of Kenya's people and nearly all of its economic activity are found in the southern half of the country.

Kenya gained its independence in 1963, and after a brief period of two-party democracy has been governed by a fairly stable one party system. President Jomo Kenyatta dominated Kenya's early evolution as a nation; the present government of President Daniel arap Moi has been in power since 1978. Kenya maintains close ties to industrialized nations, including the U.S., which has a naval base at Mombasa.

The People of Kenya

Kenya's relative political stability may seem surprising given the importance of ethnic alliances among the more than 40 groups within its borders. The Bantu-speaking Kikuyu people are the largest group -- about 21 percent of the population -- with the Luos, commonly considered the political opposition, making up about 13 percent. In the larger cities such as Nairobi, Europeans (mostly of British origin) and Asians also make their home, while a sizable population of Arab origin lives along the coast. Asians control about 70 percent of the urban retail business and a large portion of manufacturing.

Not only is Kenya's population diverse, but it is also growing rapidly. Improvements in health care have led to a drop in infant mortality and a corresponding explosion in numbers of young people. Recognizing the need to educate this population, one of President Moi's first official acts was to make primary education free of charge -- prior to 1980, education was available only to those who could pay for it. The sheer numbers, however, threaten to overwhelm the economy. Each year about 400,000 young people leave school to enter the work force, but only 10 percent of them find jobs in the industrial, retail, or service sectors. For the remaining 90 percent, the choices are limited: they are absorbed into the growing informal sector, find work in the agricultural sector, or join the ranks of the unemployed.

Food for a Growing Population

Although tourism constitutes an important source of income and foreign exchange, agriculture remains the backbone of the Kenyan economy and accounts for 30 percent of the gross domestic product (GDP). About 70 percent of the work force is in agriculture. Exports include coffee, tea, pineapple, pyrethrum (used as a pesticide), fresh vegetables, and cut flowers. Corn, rice, wheat, sugar cane, lentils, and root crops are grown for local appetites, although Kenya imports 30 percent of its wheat. Europe is Kenya's primary trading partner.

Small farmers grow more than three-quarters of the country's agricultural crops. Smallholder crops vary; many concentrate on food crops for their own families or to sell locally. Export crops such as coffee and vegetables are also grown. Much of the cultivation is done by women working at subsistence levels. At least two-fifths of smallholder families are headed by women, although they generally do not have legal title to the land.

The number of small farms multiplied after independence thanks to a government land reform program designed to redistribute many of the large European-owned estates to Africans. Government officials, however, often received the lion's share, and many of the plots distributed were too small to support a family. The pressure for land has increased with the surge in population. Young men who find themselves with insufficient land head off to seek work in the cities or as agricultural laborers on the larger estates. Traditional cattle herders such as the Masai have also found their way of life threatened as pasture land is gradually appropriated for crops or is eroded by overgrazing.

From 1963 to 1973, agricultural production grew at an average of 4.7 percent annually. Poor weather, low world prices, and low prices to farmers contributed to a drop in the growth rate during the 1970s. Under an agreement with the IMF, the Kenyan government since the early 1980s has instituted a number of measures to encourage production -- setting attractive producer prices as an incentive to farmers, and improving supplies of seed and fertilizer. Unfavorable weather conditions in 1984-85 caused a drop in the corn crop and widespread hunger, but production has since rebounded. Several large-scale government projects in rice production have not done well, bogged down with administrative and funding problems.

Economic Trends

Unlike neighboring Tanzania, Kenya at independence was showered with foreign aid, and the government also offered incentives for investment of foreign and domestic capital. While this combination of policy and development aid did not promote equitable growth, it did promote growth: from 1963 to 1979, the economy expanded at an annual rate of over six percent in real terms.

Kenya's current economic growth is among the best in sub-Saharan Africa. The period between 1985 and 1987, however, marked the first time that Kenya had achieved three consecutive years of positive growth in per capita GDP since the 1970s. One aim of the IMF in promoting revitalization of agriculture is to bolster growth in per capita income, but it is unclear whether pricing policies alone will benefit the very poor. Poverty in the countryside remains acute: between one-fourth and one-third of the small farmers fall below the poverty line. The number of urban poor people is also growing. Income distribution remains uneven, with the poorest 40 percent of the population receiving only 8.9 percent of total national income (GNP).

Although Kenya is the most industrially developed country in sub-Saharan Africa, manufacturing contributes only 12 percent of GDP. The IMF has also insisted that Kenya implement certain trade policy reforms which include the use of tariffs, rather than import quotas, which are seen as promoting inefficiency. Kenya, along with Zimbabwe and Malawi, is currently pushing for the establishment of a cooperative regional trading block. While verbally supporting regional cooperation, Tanzania and Uganda appear reluctant to enter into a trade agreement, as their economies are weaker than those of the other three. An earlier attempt at economic cooperation through the East African Community ended in a bitter dispute between Kenya and Tanzania that closed the borders between the two nations for five years.

Overall, Kenya's prospects appear mixed. While the renewed emphasis on agriculture is likely to benefit at least some farmers, export crops have not been doing well on the world market. Coffee prices have been falling precipitously and Kenya recently lost part of its export market for tea due to a shift in Pakistan's trade policy. On the brighter side, last year Kenya received word that the U.S., West Germany, and France intend to offer bilateral debt reduction packages, and for the first time since independence the population growth rate has fallen. Moreover, Kenya's people are well organized: women left at home have organized self-help groups, income generating crafts, and environmental protection awareness campaigns. These grassroots efforts are an important contribution toward Kenya's long-term development.

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Exploring the Linkages

Trade Policies, Third World Development, & U.S. Agriculture

Country Profile | Winter, 1990

Tanzania

Size: 364,770 *sq.mi.*
Land in farming: *.57 acres/person*
Population: *23.9 million, growing @ 3.5%/yr.*
Urban: *29%, growing @ 11.3%/yr. (1980-87)*
Calories/person/day: 1986 - *2192; (1965 - 1832)*
Infant deaths under 1 yr: *106/1000 live births*
School enrollment/population of age group:
Primary - 69+%; Secondary - 3%
Income per person: *$180 (1987)*
Growth rate, GDP (80-87): 1.7%; Agric. *3.8%*
Sources: World Bank; World Resources Inst; USDA

"Wide as all the world, great, high, and unbelievably white in the sun"

Ernest Hemmingway
The Snows of Kilimanjaro

Background

The highest peak in Africa, Mount Kilimanjaro rises majestically on Tanzania's mountainous border with Kenya. Much of the country's coffee crop is cultivated in these fertile northern highlands, which also receive the greatest rainfall. Further south, the mountains give way to a gentle plateau. The island of Zanzibar, also part of the republic of Tanzania, lies about 30 miles off the coast in the Indian Ocean.

A German colony until the end of World War I, Tanzania was placed under a League of Nations protectorate and administered by Britain until it gained independence in 1961. At independence the country adopted a single party system of socialist orientation. President Julius Nyerere has been the dominant political figure throughout much of post-independence history, retiring from that post in 1985 in the midst of economic crisis. His successor, Ali Hasan Mwinyi, has been gradually implementing economic reforms prescribed by the International Monetary Fund (IMF) and the World Bank.

Although Tanzania is one of the poorer nations in the world, it has the natural and human resources to prosper. The country has substantial mineral resources in deposits of gold and phosphates, and may possess offshore oil reserves. Its small tourism industry has possibilities for development and its agriculture has much potential.

Another Development Path

Unlike neighboring Kenya, Tanzania is comprised almost totally of indigenous Africans, but they represent approximately 120 different groups. Since independence, the Tanzanian government has tried to promote an ethic of self-reliance, unity, and equity among its citizens, a goal which has contributed to its political stability. An early focus on developing the urban industrial sector was abandoned for lack of foreign aid, and because it was felt that industry was benefitting at the expense of agriculture.

In the Arusha Declaration of 1967, the government nationalized banks, major industries and trade, then in 1970 turned attention to the countryside through a massive resettlement of peasants into cooperative villages. The aim of the policy was to promote a communal Tanzanian identity through the concept of "ujamaa", or "familyhood", as well as to facilitate the delivery of health care, education, and other services. The approach to national development set forth in the Arusha Declaration was unique among the new African nations, and remained the dominant philosophy until the early 1980s.

Government efforts in health and education registered enormous achievements: literacy, which stood at 15 percent of the population at independence, climbed to 92 percent by the early 1980s. Tanzania has also received several commendations from the World Health Organization (WHO) and UNICEF for their successful vaccination and health education campaigns.

From an economic perspective, however, the "ujamaa village" program and overall agricultural policy was not a success. Peasants in many cases resisted communal farming, and spent most of their time on their own small family plots. State monopoly over farm supplies proved inefficient and unreliable. Government control of prices and marketing, while intended to reduce the profit

exacted by private merchants, actually resulted in a reduced portion of crop's value reaching farmers. As the farmers' share of export prices fell from 70 percent in 1970 to 40 percent in 1980, production also fell. Because of the importance of agriculture to the Tanzanian economy (40% of GDP in 1986), slowdown in this sector meant the economy ground to a halt.

Food and Agriculture

About 90 percent of the working population in Tanzania is involved with agriculture. Most farming is done by smallholders (two to four acres), and much of agriculture remains at subsistence levels. Approximately 90 percent of coffee, the leading export crop, is grown on small farms. Because of the diversity of altitudes, rainfall patterns, temperature and soil conditions, it is possible to grow a variety of crops. The primary food crops are corn, rice, wheat, sorghum, beans, tubers, and bananas.

Tanzania is a net importer of corn, some of it as food aid. In an effort to expand corn production, the government in the early 1970s instituted a policy of paying all corn producers the same price regardless of location or ease of transportation. While the policy encouraged increased production in portions of the country that had been producing at subsistence levels, the financial burden on the government proved too great and the policy was abandoned in 1984. A government wheat promotion scheme has also met with mixed results. Set up with the help of Canadian funds and expertise, the project made few allowances for tropical soil conditions, and productivity has suffered from extensive erosion. Overgrazing by cattle herders has also caused soil loss, threatening long-term environmental degradation.

Tanzania's major export crops are coffee, tea, and cotton, as well as cloves, which are grown on Zanzibar. Transportation and processing problems have left the country unable to handle large surpluses of cotton, and the falling share of export prices reaching farmers has resulted in a corresponding fall in both quantity and quality of export crops. Although in Tanzania it is illegal to uproot a coffee tree, the government has difficulty in enforcing standards of care for the same tree. Coffee farmers who normally interplant coffee trees with other crops such as bananas find it worthwhile to spend more time cultivating crops over which the government exercises less control. Government policies have thus in some cases inadvertently encouraged diversification of basic food crops. Farmers have also sold portions of surpluses through the informal or "black" market, rather than through government marketing agencies.

Current Outlook

As in Kenya, a major thrust of recent IMF reforms has been to increase prices to producers for exports as well as for corn, the basic foodstuff. Favorable weather conditions combined with the new pricing policy and some government decentralization have resulted in modest increases in corn production.

The IMF reforms have not been without cost, however. Required budget cuts have meant the government has had less to spend on health, education, and transportation. Literacy rates and primary school enrollment have dropped. Although Tanzania's infant mortality rate is lower than at independence, it is still one of the highest in the world. Schools, hospitals, and roads have all deteriorated due to cuts in spending.

President Mwinyi has expressed concern that reforms have unfairly affected urban dwellers, whose salaries do not begin to keep pace with inflation. Tanzania has very recently experienced an unusual phenomenon of migration out of the cities back to the countryside where economic prospects are slightly less bleak. The owner of a dairy cow currently makes more income by selling milk than does a secondary school teacher on government salary.

Given the renewed emphasis on agricultural exports, much of Tanzania's immediate future will depend on the situation of world trade and world prices for its principal export crops. Unfortunately, coffee prices are likely to remain low for several years. In addition to a more favorable climate for global trade, the longer-term realization of the country's potential requires sound economic management, sufficient aid and flexibility to re-invest in the welfare of its people, and government willingness to foster the independent efforts of its citizenry.

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Exploring the Linkages

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Commodity Brief

Winter, 1990

Cocoa

Some of us have trouble imagining a world without chocolate. Yet chocolate, like potatoes and corn, was introduced to Europeans from the New World. Highly prized by the Indians of Central America, cocoa beans were roasted, ground, and boiled into a drink called "chocolatl." The Spanish conquistadors modified this concoction by adding sugar, and the sweetened version of the drink quickly gained popularity in Europe.

Named *theobroma cacao* (food of the gods) by the 18th century botanist Carolus Linnaeus, cocoa and liquid chocolate remained a food of the nobility for many years, restricted by the technology of the time as well as high import taxes and licensing laws. Factory production of liquid chocolate began in the United States in 1765. In 1828 the Dutch invented a method to separate the oil from ground cocoa, yielding an improved version of the drink and opening the way for the production of solid chocolate, which was first sold in England in the 1840s.

Cocoa is believed to have originated in the Amazon. In the 1500s the Spaniards imported Venezuelan seedlings to their island colony of Fernando Po (now part of Equatorial Guinea) off the coast of West Africa, as well as to Indonesia. The British, French, and Germans followed suit, importing seedlings to their tropical colonies. Currently, the leading producer of cocoa is Cote d'Ivoire, which grows approximately one-third of the world supply. Brazil is in second place with about 14 percent, while other producers include Ghana (13%), Malaysia (10%), Nigeria (6%), Ecuador (3%), Indonesia (2.5%), and Mexico (2%). While much Brazilian, Indonesian, and Malaysian cocoa is cultivated on large plantations, the bulk of West African cocoa (roughly 56% of world production) is produced by family farmers on relatively small plots.

Growing Cocoa

Both cocoa powder and eating chocolate as we know them are the final products of a processing system that begins with the cocoa bean. Grown in tropical climates, cocoa trees take four to five years to bear and may remain productive up to 50 years, although best yields are normally reached in earlier years. In part to defray the initial cost of planting, cocoa is often intercropped with bananas, palms, or coconuts. These crops also serve as an insurance policy against periods of low cocoa prices or outbreaks of disease which require replanting.

Cocoa trees flower several times during the year, forming seed-bearing pods along the trunk and branches. Most countries have two harvest periods -- a main and a mid-season crop. Only in Brazil do weather conditions lend themselves to the production of a large mid-season harvest. Once harvested, the pods are cut open to remove the beans for fermentation.

Fermentation is crucial to overall flavor of the cocoa and greatly affects its value. Although the process can be done by small cocoa farmers without elaborate equipment, it requires skilled judgment not to under- or over-ferment. The reputation of Ghanaian farmers for good fermentation practices contributes to the higher price and popularity of their cocoa. In Malaysia, larger cocoa plantations now employ agronomists to lower the characteristic acidity of Malaysian cocoa through special fermentation processes. After fermentation the beans are dried, either in the sun or in mechanical dryers, and bagged for export.

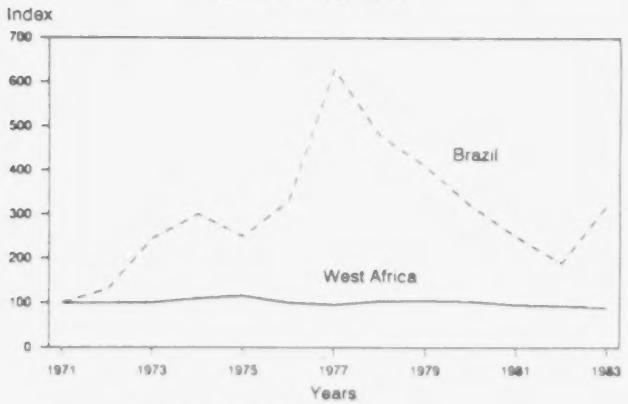
Marketing

In Ghana and Cote d'Ivoire, as in much of West Africa, governments play a central role in the transportation, quality control, and marketing of cocoa, determining the overall profitability to the farmer. In both countries, producer prices are set by government policy, with the difference between the producer price and the export price going for transportation, inspection, bagging and a margin of profit or loss to the government agency.

In Cote d'Ivoire this system worked well until 1985, when cocoa prices began to fall and the government ran up a debt by attempting to maintain farmer income. In Ghana the government let producer prices fall so low that Ghanaian farmers were smuggling their cocoa to sell in neighboring Cote d'Ivoire. The extent of government

intervention in both countries is prompted by the tremendous importance of cocoa to their economies: cocoa supplies approximately 40 percent of export earnings in Cote d'Ivoire, and fifty-eight for Ghana. In contrast, cocoa earns only 2 percent of Brazil's foreign exchange, and producer prices reflect export prices.

Cocoa Producer Prices:
Brazil vs. West Africa



Source: Shearson Lehman Brothers
(Crop year 1971–72 = 100; prices deflated using local food indices.)

Processing, Pricing, and Trade

Produced by developing country farmers, cocoa is enjoyed by consumers in wealthier countries. The U.S. and Europe import and process the bulk of the world's chocolate and cocoa products. As with all commodities, export prices for Third World producers fluctuate according to the quantity, quality and demand for particular types of cocoa.

Many cocoa producing countries -- Brazil, Cote d'Ivoire, Malaysia, Nigeria and Ecuador -- now export some manufactured cocoa products. Export prices for manufactured products are higher than for cocoa beans, and processors have begun to import increasing amounts of cocoa liquor manufactured in developing countries. Cocoa butter, which requires a more consistent quality, is manufactured largely in importing countries.

Prices received by producing countries are further influenced by problems with storage. Unlike coffee, cocoa decays quickly in tropical conditions although it can be stored much longer in temperate climates. While Brazil and Cote d'Ivoire do have adequate storage facilities, many cocoa producing countries are unable to stockpile surpluses. In a good harvest year, the supply of cocoa will likely exceed global demand, but since the harvest must be sold, prices often fall dramatically. Multinational commodities traders can buy cocoa cheaply, and because of their large transportation and storage networks are able to turn a profit in sales to processors.

An attempt to stabilize the cocoa trade was undertaken by the International Cocoa Commodity Agreement (ICCA) in 1972. The agreement provided for the establishment of a common buffer stock of cocoa, to be stored by the ICCA and used to help stabilize prices within a given range. The ICCA lacks the crucial participation of some countries (notably the United States, Indonesia and Malaysia) and currently is in financial difficulties, largely because of the non-payment of dues by several members. Because the ICCA is not allowed to accumulate debt, it may have to clear its finances by selling part of the buffer stock on an already glutted world market, driving prices down rather than up.

In reaction to low prices, most cocoa producing countries have postponed any new plantings and have cut back on costly inputs such as pesticides. After a sustained attempt to maintain a price floor by restricting exports, Cote d'Ivoire has had to cut producer prices in half. Poorly paid cocoa farmers in Ghana recently benefitted from a change in government policy, receiving an increase in producer prices despite the low world export price. Renovation of Ghana's cocoa trees is currently going on under the auspices of the World Bank.

Given the large number of cocoa trees in production on three continents, cocoa prices are likely to remain low, creating an income problem for farmers and trade problems for governments. Unfortunately, low cocoa prices do not necessarily imply lower chocolate prices for consumers. Chocolate prices also depend on prices for milk, sugar, nuts and other ingredients, as well as costs for transportation, labor, and, above all, advertising. Since even chocoholics don't tend to eat more when the price goes down, manufacturers use advertising to convince more people to eat chocolate. Although the lives of thousands of Third World farmers depend on it, cocoa remains essentially a luxury good with a limited market.

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Exploring the Linkages

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Commodity Brief | Winter, 1990

Coffee

Coffee has always had its critics. A disgruntled Frederick the Great of Prussia declared in 1777, "It is disgusting to note the increase in the quantity of coffee used by my subjects....Many battles were fought and won by soldiers nourished on beer, and the King does not believe that coffee drinking soldiers can be depended upon to endure hardships or to beat his enemies in battle."

The coffee plant is believed to have originated in Ethiopia. The drink was popular across much of the Arab world by the mid-15th century, from where it eventually made its way to Europe. As with cocoa, coffee spread from Europe to its colonies. By the early 1700s the Dutch colony of Java (Indonesia) replaced the Arab port of Mocha as the chief European coffee supplier.

Growing Coffee

Coffee is a tropical product. New trees take three to four years to bear and have a productive life of 20 - 30 years. Some countries near the equator harvest coffee twice a year, but most have a single harvest. Coffee berries are picked when ripe, preferably by hand, but in some places (notably Brazil) by machine. The seeds are removed from the berries by one of three methods (sun-drying, pulping and drying, or pulping and washing of the fruit) and are then hulled and sorted, yielding "green" or unroasted coffee. Green coffee can be stored in producer countries without elaborate facilities for six months or more.

Although historically coffee has been a plantation crop, today only one to two percent is produced on large estates. Most coffee is grown by small farmers and is in some cases intercropped with food crops. Farmers rely heavily on family labor for the care and maintenance of the coffee trees: pruning, mulching, and applying fertilizer and pesticide. For harvest season additional day laborers are hired. Altogether, coffee farming employs an estimated 20 million people in the developing world.

Only two botanical varieties of coffee -- "arabica" and "robusta" -- are widely traded. Preferred for its flavor, arabica commands a higher market price. Harvesting practices, processing, and natural flavor differentiate arabicas from one another, with the most prized arabicas grown in highland areas. Colombia, Costa Rica, Kenya, and Tanzania produce high quality arabica coffee, while Brazil produces large amounts of second-class arabica.

Robusta coffee is native to sub-Saharan Africa, but is also grown commercially in Latin America and Asia. Hardier than arabica, robusta is better suited to higher temperatures and lower altitudes. Demand for lower-priced robusta blossomed with the advent of instant coffees and blends, sparking increased production in a number of countries.

Trade Patterns

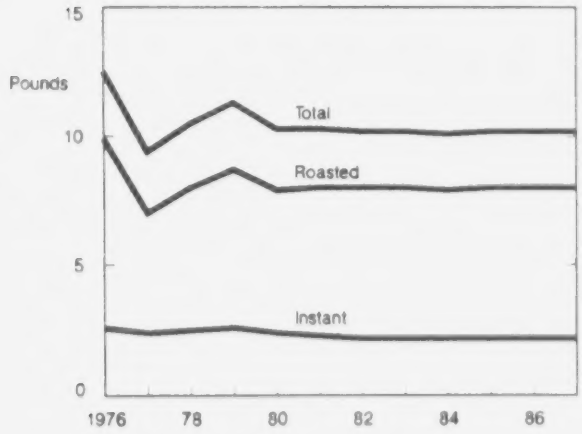
By total value coffee is a leading commodity in world trade, and for the approximately 50 exporting countries, a major source of foreign exchange. The Colombian coffee crop, for example, provides over half of legal foreign exchange earnings, while in Uganda that number is 95 percent. Colombia and Brazil are the world's largest coffee producers, together providing 40 - 50 percent of the world's supply. Other large exporters include Costa Rica, Kenya, Guatemala, Mexico, Cote d'Ivoire, Indonesia, Uganda, India, Ethiopia, and El Salvador.

Because coffee is a critical source of foreign exchange, most governments of exporting countries play an important role in production. This role ranges from provision of credit and quality control, to a monopoly over milling and marketing. Government spending and exchange rate policies, along with the reliability of transportation networks, affect the price and profitability of coffee production. Prices received by farmers as a percent of the total export price vary widely from country to country. A 1980 study shows that the largest portion of the export price went to Kenyan farmers (92%), while the smallest went to Angolan farmers (30.3%). In other countries the percentage of the export price going to farmers averaged 58 percent. Prices alone do not indicate how profitable coffee is to grow -- in some countries the government may tax coffee but provide other subsidies,

while in other places even low prices for farmers may result in continued coffee cultivation if nothing else can be grown more profitably.

About one-fourth of the world's coffee is drunk in producing countries. The principal consumers in the coffee market are the United States and the European Community (EC): U.S. citizens drink 430 million cups of coffee a day. Although a smaller market, Japan's consumption of coffee has grown rapidly in the last 10 years. Together, the U.S., EC, and Japan imbibe about 90 percent of the world's coffee.

U.S. per capita consumption of coffee



Source: USDA; 1987 preliminary. Green bean equivalent.

Prices paid by coffee drinkers in importing countries are substantially above the export price. The additional expense for the final stage of coffee processing -- the roasting of the green beans -- is incurred by a few major firms. In the mid-1970s, processing added about 26 percent of the cost of instant coffee, and about 24 percent of roasted. By 1979, the top four processing firms controlled over 65 percent of the U.S. coffee market.

Many coffee growing countries have the capacity to export roasted or instant coffee, but encounter barriers to doing so. Although currently the U.S. has no import duties on any coffee, the EC levies import duties on processed coffee and many of the centrally planned economies maintain quotas. Developing countries also have difficulty competing with the marketing power of the major multinational firms.

Price Patterns

While world demand for coffee has not grown much, production has been rising. A frost in 1975 devastated the Brazilian crop, driving up coffee prices, and creating a boom for other coffee producing countries. Brazil invested in recovery by subsidizing the planting of high yielding varieties of coffee, but competitors also invested in new plantings. As all these trees have come into production, the market has been glutted. From 1981 until recently, coffee export prices, adjusted for inflation, have dropped over 40 percent.

Concerns about price stabilization led to the formation of the International Coffee Organization (ICO) and the signing of the first International Coffee Agreement (ICA) in 1962. Both producing and consumer countries are members, including the United States. The agreement was meant to help stabilize prices by controlling supply through the use of export quotas.

The system met with some success. After another failure of the Brazilian coffee crop in 1986, for example, the World Bank calculates that prices would have risen even higher without the stocks built up under the agreement. There are, however, inherent problems. First, quotas tend to freeze each country's export share at historical levels without allowing for changes in purchaser preferences. Second, coffee sold to non-ICO members sometimes is re-sold to ICO members at a higher price. Last, importing countries' commitment tends to waiver when stocks pile up in exporting countries, signalling the possibility of lower prices. These disincentives toward cooperation have taken a toll: ICO member countries were not able to come to a quota agreement for 1989.

With large stocks and without an international agreement, coffee prices have dropped almost 50 percent since July, 1989. Producing countries have responded by cutting export taxes, reducing prices to farmers, and cutting back on pesticide and fertilizer use. A recent World Bank study predicts that *without* the ICA, prices will climb again by the mid-nineties, and world coffee export revenues will exceed those expected *with* the ICA. The no-agreement scenario, however, favors some countries over others, and forecasts another low-price cycle by the turn of the century. Low coffee export prices may eventually show up as lower coffee prices at the supermarket, but meantime coffee farmers around the world are hurting.

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Exploring the Linkages

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Commodity Brief — Winter, 1990

Wheat

No man qualifies as a statesman who is entirely ignorant of the problems of wheat. -- Socrates

Wheat is one of the oldest and most widely eaten foods in the world. Probably native to the Middle East, wheat cultivation spread early to Europe and Asia; during wartime in the fourth and fifth centuries B.C., Athens depended on grain traders to replace wheat burned in the fields. Catherine the Great of Russia encouraged wheat production near the Black Sea port of Odessa, and Russian wheat fed English workers in the 1800s.

The principal ingredient in bread, wheat is also used for cookies, cakes, crackers, noodles, chapatis (in India), and tortillas (in Mexico). Wheat's high quality protein content provides nutritional value in a convenient form: unlike rice, corn, and other grains, wheat-based foods are often "fast foods" that can be cooked in advance and carried for lunch. Both as a grain and in processed forms wheat is better suited to long-term storage than many basic foods.

Growing Wheat

Many varieties of wheat are grown, reflecting both different climatic conditions and intended use. Selective breeding has produced high-yielding varieties of wheat, some adapted to sub-tropical environments. Wheat is sown annually, and harvest time varies with the type of wheat planted. In the U. S. almost three-fourths of wheat planted is "winter wheat," which is sown in the fall, lies dormant during the winter, and is harvested in spring. Often called "the desert plant," wheat thrives in the semi-arid soils bordering the Sahara desert, in the Russian steppes, and on the Great Plains of the U.S., but it is nonetheless susceptible to drought.

Cultivation practices vary from country to country. In the U. S. and other wheat exporting nations, wheat culture has been mechanized, often on a large scale. In Third World countries producing wheat for home consumption, several stages in wheat production -- planting, cutting, threshing, winnowing -- may be done by hand or with small machines. Third World governments often play a primary role in introducing high-yielding varieties of seed, promoting fertilizer use (often subsidized), and developing the rural infrastructure (e.g. irrigation, transportation) to expand wheat production.

Trade Patterns

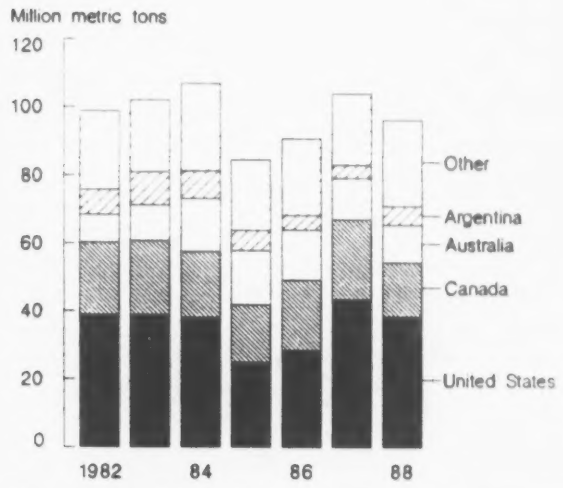
Currently the world's largest wheat producers are the Soviet Union and China, each contributing about 17 percent to total world production. Neither of these countries produces enough wheat to meet domestic needs, so the Soviet Union and China are also the world's largest importers. The Soviet Union purchases approximately 18 percent of the world's imports, while China buys about 12 percent.

Wheat imports by developing countries doubled between 1970 and 1981, and by 1981 wheat made up an estimated 86 percent of their food grain imports. In some cases imports made up the shortfall between locally produced wheat and domestic demand; Brazil, India, and Mexico are examples of middle-income developing countries that grow wheat, but purchase more to satisfy a growing urban population. Newly industrialized countries such as South Korea export manufactured goods and purchase the convenience of wheat. Some increase in wheat imports for poorer countries has been in the form of relief aid during emergencies. In non-famine situations, cheap wheat through the food aid program has been sold as a development resource, although the potentially harmful impact on local farmers often has been overlooked.

In the post-World War II years, the U. S. was by far the largest exporter of wheat. Exports took on increasing importance through the 60s and 70s, and the U.S. share of world wheat exports hovered around 50 percent until 1980. Faced with a domestic debt crisis, an unfavorable exchange rate, and competition from Europe and other exporters, the U.S. share of world wheat exports declined to a low of about 30 percent in the mid-80s. Adjustments in monetary policy and export oriented provisions in the 1985 farm bill have reversed that trend. The U.S. remains

the largest wheat exporter, averaging 36 percent of the world market between 1985 and 1988. It is followed by Canada (19%), the European Economic Community (18%), Australia (14%), and Argentina (5%).

Major wheat exporters



Source: USDA. Marketing year beg. July 1; 1988 forecast. Grain equivalent.

Some Problems of Wheat

Because wheat is critical to the food security of many countries, it is often a focus of government agricultural policy. Wheat has at various times been the subject of price stabilization schemes: an International Wheat Agreement was operative from 1933-1935, a Grains Agreement was initiated in 1967 but collapsed 18 months later, and another attempt at a wheat agreement was unsuccessful in 1975-76. Domestic price supports and subsidies to farmers, such as those in the U.S., are also common. Government intervention has in some instances restrained, but in others enhanced, the power of the few multinational companies who dominate the grain trade.

While a grain reserve is considered prudent insurance against emergencies, wheat support policies have often resulted in overproduction, particularly in Europe and the U.S.. To dispose of excess wheat, the U.S. and EC have subsidized exports, causing world wheat prices to tumble. Artificially low prices have hurt other exporting nations such as Argentina and Canada, while fueling wheat imports in much of the Third World. Tensions over such subsidies and their high cost have pushed the inclusion of agriculture in the most recent negotiating sessions of the General Agreement on Tariffs and Trade (GATT).

The effects of low-priced wheat imports on developing countries are hotly debated. Some argue that low-cost wheat is an advantage to developing countries, freeing up funds that can be spent elsewhere. India, for example, received substantial amounts of food aid while at the same time carrying out a wheat promotion program that has resulted in close to self-sufficiency.

But in other circumstances wheat is a non-traditional food that a country may be ill-suited to produce or too poor to buy. In Nigeria the oil boom in 1973 caused wheat imports to climb dramatically. By 1983 Nigeria imported close to one and half million tons of wheat a year, about 90 percent from the U.S.. Faced with labor losses, an overvalued exchange rate, and competition from imports, agriculture declined precipitously. After a coup in 1986, the new government announced a ban on wheat imports which remains in effect. Although Nigerian wheat self-sufficiency projects still have major problems, production of other food crops, such as roots and tubers, has improved considerably under policies re-oriented toward domestic food production.

Wheat Trade in the Future

An agreement on agriculture in the current GATT negotiations is likely to have an effect on world wheat prices, but what an agreement would look like is as yet uncertain. Meanwhile, world wheat prices have remained fairly high since the 1988 drought, and world stocks will take some time to replenish. Low stocks and higher prices mean stretched resources for international disasters, and possible food shortages for wheat-dependent Third World nations that cannot afford to buy sufficient grain to feed their people.

In the longer term, the prospects for expanded wheat production and trade look good. Wheat's unique properties make it a desirable food; as Third World incomes rise, imports may make sense. The amount of wheat exported by U.S. farmers will depend for the most part on the ability of Third World nations to buy. Developing countries' purchasing power, in turn, depends on a number of other issues, including resolution of the debt crisis, and improved terms of trade for their own exports.

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Supplementary Materials

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